Austria	[illegible]	Indonesia	[illegible]	Pakistan	Rs35
Bahrain	[illegible]	Iran	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Israel	[illegible]	Poland	Zl 15,000
Cyprus	[illegible]	Italy	[illegible]	Portugal	Esc175
Czech	[illegible]	Jordan	[illegible]	Qatar	QR10.00
Denmark	DKr15	Korea	Won 2000	S.Arabia	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Singapore	S$4.10
Finland	[illegible]	Lebanon	[illegible]	Spain	Pta175
France	[illegible]	Lux	LFr60	Sweden	SKr13
Germany	[illegible]	Morocco	[illegible]	Switz	SFr2.70
Greece	[illegible]	Neth	[illegible]	Thailand	[illegible]
Hungary	[illegible]	Nigeria	[illegible]	Tunisia	[illegible]
Iceland	[illegible]	Norway	NKr13.00	Turkey	[illegible]
India	[illegible]	Oman	OR1.30	UAE	[illegible]

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

ALUMINIUM
Greek recycling schemes succeed
Page 10

FT No. 31,553

Wednesday September 11 1991

D 8523A

World News

Abu Dhabi ruler takes charge of BCCI inquiry

A key Abu Dhabi government department, headed by an official singled out in a report to the Bank of England as having knowledge of the fraud more than 18 months ago, was behind the detention of 36 senior executives of the Bank of Credit and Commerce International at the weekend. According to one source, Abu Dhabi's ruler has taken personal control of the handling of the BCCI affair. Page 14; Elder statesman faces grilling. Page 6

Closer nuclear watch
Governors of the International Atomic Energy Agency, meeting today in Vienna, are expected to recommend more intrusive inspection of countries which signed the Nuclear Non-Proliferation Treaty. Page 14

Republic's plea to EC
Bosnia-Hercegovina will press the European Community to send monitors to what is seen as one of Yugoslavia's most potentially volatile republics. Page 14

Albanians on trial
Some 500 Albanian soldiers who joined a mass exodus of would-be refugees to Italy last month went on trial on charges of desertion.

Faction deaths rise
Black faction fighting raged in Soweto, near Johannesburg, as gangs with guns and knives killed six people, raising the death toll since Sunday to 78. Picture, page 14

Iraqis accused
Iraqi troops crossed the border into northern Kuwait and killed a security forces officer, Kuwaiti sources reported.

IRA suspect extradited
The Dutch Supreme Court upheld the extradition to Germany of IRA suspect Donna Maguire following her acquittal in the mistaken-identity murders of two Australian tourists in the Netherlands.

Journalist's death riddle
A Chilean judge's finding that British journalist Jonathan Moyle was murdered has led to demands for an inquiry. Suicide was the original police theory after he was found hanging in his Santiago hotel bedroom. Page 4

Timeshare promise
EC consumer affairs commissioner Karel Van Miert promised tough new laws to clamp down on timeshare operators who lull holidaymakers into expensive contracts.

Bomb at Manila rally
A homemade bomb exploded during a Manila rally organised by President Corazon Aquino to persuade lawmakers to ratify a US military base treaty. Six people were reported hurt. Plebiscite proposed, page 5

Euthanasia toll
Euthanasia, long tolerated in the Netherlands, now accounts for nearly 2 per cent of all Dutch deaths, according to the first authoritative study.

Korean parties merge
South Korea's two main opposition parties are to merge in an attempt to challenge the ruling Democratic Liberal party in next year's general and presidential elections. Page 5

Swedish election issue
Plans by the ruling Social Democrats to increase state shareholdings in industry have emerged as the main issue in Sweden's general election campaign. Voting is on Sunday next. Page 3

Bank warns of frauds
The Central Bank of Nigeria published full-page advertisements warning foreign businessmen against conmen it said defrauded companies.

Business Summary

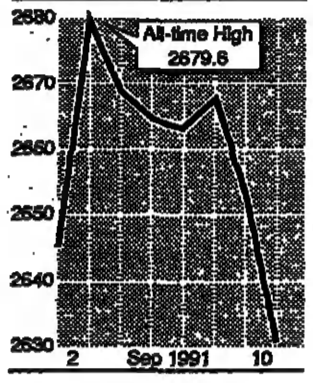
Hitachi cuts capital outlay in response to profits dip

Hitachi, Japan's largest electrical machinery manufacturer, has cut capital expenditure by 20 per cent in response to falling profits and weak demand for computer memory chips.

The cuts amount to Y60bn ($445m) in the year to the end of March 1992. Hitachi expects pre-tax profits to fall 27 per cent to Y150bn in the current fiscal year. Page 15

SHARE PRICES continued to slide in London. An attempt to rally from an early fall of *nearly 23 points on the FT-SE* scale was thwarted by a weak start to the new Wall Street session. The FT-SE Index closed 22.4 down at 2,630.8, just above the day's low point. The Dow Jones industrial average stood at 2,978.98, down 28.18, at mid-afternoon. Page 25; Lex, Page 14

FT-SE 100 Index



INTERNATIONAL Business Machines is to launch six mainframe computers and related software and equipment which it hopes will boost falling sales. IBM's operating profits plunged by 74 per cent in the first half of this year. Page 15

H.J. HEINZ, US foods group, announced a sharp rise in first quarter earnings due to a business sale, but underlying profits dipped. Net income was $254.4m, or 95 cents a share, compared with $143.2m, or 54 cents, in the same period last year. Page 17

COMMONWEALTH Bank of Australia suffered a 45 per cent fall in net operating profits to A$272m (US$214.1m) for the year to end June. The result comes two days before the bank's debut on the Australian Stock Exchange. Page 17

NOBEL INDUSTRIES, Swedish chemical and defence group, has appointed Bernt Magnusson, one of the Sweden's best-known corporate restructurers, as chairman, increasing speculation that Nobel may be broken up and sold. Page 16

BOEING'S de Havilland commuter aircraft division in Canada is to be jointly funded by the *Canadian federal government* and the province of Ontario with US$303m in development aid. Page 17

BEAZER, heavily indebted construction and building materials group, has reached an agreement with its bankers over refinancing, paving the way for the sale of its UK-based housebuilding, property and contracting businesses. Page 15. Lex, Page 14

CITICORP, leading US bank seeking to dispose of assets to strengthen its capital base, is expected to sell its 46-branch Italian banking subsidiary later this month in a deal likely to be worth $300m. The around bank has talked to at least two prospective buyers – Deutsche Bank and Banco Ambrosiano Veneto. Page 16

ARJO WIGGINS Appleton, Anglo-French paper group formed last year through the merger of Wiggins Teape Appleton and Arjomari-Prioux, reported "encouraging" progress with pre-tax profits for the six months to June 30 at £136m ($230m) set against a notional comparable figure of £142m. Page 22

West seeks power to intervene as strife spreads in emerging states

Call for E Europe task force

By John Lloyd and Mark Nicholson in Moscow

WESTERN foreign ministers yesterday called for European states to have the power to intervene in the internal conflicts of eastern Europe, using the present strife in Yugoslavia and gathering conflicts in the former Soviet Union to illustrate their concern.

Their proposals, still in outline form, came after a strong speech from Soviet president Mikhail Gorbachev to the Conference on Security and Co-operation in Europe which opened in Moscow.

Mr Gorbachev said that "the international community will now deal with a union of sovereign states, a country where free, democratic republics, and dozens of ethnic groups, coexist voluntarily and equally."

As he spoke, a number of the ethnic groups in Armenia, Azerbaijan, Georgia and Moldova were engaged in barely suppressed hostilities – a matter referred to by several of the foreign ministers attending the conference.

Mr Gorbachev also made clear that he wanted urgent humanitarian and longer term aid from the west. "We need assistance, co-operation, solidarity", he said. "We are counting on it. I hope that the west will now consider with greater attention what I have said so many times.

"There are now conditions for more speedy and resolute implementation of the Group of Seven agreements, for assisting the republics and the union to restore the economy".

The strongest proposal, for the CSCE countries to consider developing something like an anti-totalitarian task force came from Mr Hans-Dietrich Genscher, the German foreign minister. He told the conference that last month's abortive coup in the Soviet Union had taught other states that they must immediately isolate would-be putschists and deal only with recognised authorities.

The CSCE had a responsibility to underpin its ideals on human rights by deploying observers in countries which had fallen victim to a coup, or which suppressed human rights – even where permission to do so was refused by the country's government.

Mr Douglas Hurd, the British foreign secretary, said Britain backed these "far-reaching" proposals. Mr Hurd said: "We are certainly in favour of moving beyond the present situation where everything (in the CSCE) happens by consensus." He said the example of Yugoslavia had "shown the limited value" of CSCE mechanisms, where central authority had failed.

Other foreign ministers, though less explicit, voiced concern over the observation of human rights in the fragmenting Soviet republics. Mr Gianni de Michaelis, the Italian foreign minister, said "great care must be taken to ensure that where central authority is dissolved, its place is not taken by countless conflicts . . . national aspirations must not only be encouraged, but also governed".

The three Baltic states, Latvia, Lithuanian and Estonia, were yesterday formally accepted as full individual members of the CSCE.

Throughout the day, the ministers were shuttled in and out of meetings with Mr Gorbachev and Mr Boris Yeltsin, the Russian president, in a demonstration of the dual presidential power which now sustains the Soviet Union. These meeting were dominated by discussion of foreign aid, with ministers showing a growing awareness of the Soviet leadership's concern that urgent assistance was necessary to avoid collapse over the next few months.

Continued on Page 14

Protesters erect a barricade across a main street in Tbilisi, Georgia, yesterday. Tensions have run high since last week

Georgia's independence crusade turns into farce

By Leyla Boulton in Tbilisi

WHAT started as Georgia's bold crusade for independence from the Soviet Union now has all the elements of a tragic farce: the president is raging in his palace about a ubiquitous KGB threat, the former prime minister has gone into opposition with the rebel National Guard, while the republic's capital hosts its first ever international juggling festival.

Only a month ago a national hero who could do no wrong, President Zviad Gamsakhurdia, has been discredited by his decision to obey an order by coup leaders in Moscow to disband the National Guard set up to defend Georgian independence.

The failure of the coup and the dismantling of communist central government – which Mr Gamsakhurdia had fought so ardnously – also removed much of the justification for Georgians to unite around him and to overlook his dictatorial paranoia.

Things went from bad to worse when the former dissident's own security forces opened fire on unarmed protesters on September 2. Since then, small crowds of protesters have rallied every night outside the parliament building shouting "Ceausescu", "Fascist" and "Blood drinker".

Previously divided opposition groups, now enjoying the tacit support of the National Guard, are calling for the president's resignation and fresh elections.

"He wants to create a closed dictatorial state like Albania [was], in which he would rule supreme", says Mr Tengiz Sigua, who was Georgia's prime minister until he resigned four days before the coup in protest against a lack of democracy and market reform.

Mr Sigua, unshaven and tieless but still distinguished in a pinstriped suit, took refuge at National Guard headquarters five days ago to escape arrest by Mr Gamsakhurdia.

But Mr Gamsakhurdia, himself holed up in offices guarded by a few hundred loyal troops and policemen, said yesterday that he himself had come under attack as part of a KGB plot led by Mr Eduard Shevardnadze, the former Soviet foreign minister who used to rule Georgia, assisted by President Mikhail Gorbachev (whom he "revealed" to be a KGB general).

The president said they were assisted in their efforts to overthrow him by 40,000 KGB agents in Georgia – who happened to include all opposition leaders. He said the move to disband the National Guard had been taken to save it from

Continued on Page 14

Polluted air whets greenfly appetites

By Clive Cookson in London

AT LAST urban gardeners have a scientific excuse for being less green-fingered than their country cousins. Greenfly and other aphid pests find *plants far more appealing* if they grow in polluted air.

UK scientists have shown that aphid infestation can be four times as serious in plants and trees growing in moderate levels of sulphur dioxide, nitrogen dioxide and ozone – pollutant levels frequently found in urban and industrial areas of Europe and North America – than in identical plants growing in clean air.

The aphid studies at Lancaster University and Imperial College, London, are part of a £1m ($1.69m) research programme into the effects of air pollution on crops and forests, financed jointly by Britain's Natural Environment Research Council and the UK electricity supply industry.

The results, announced in London yesterday, suggest that insect damage intensified by air pollution may be an important factor in the mysterious malady which has affected forests in several industrial countries over the last 20 years.

"Aphids seem to thrive when exposed to sulphur dioxide, nitrogen dioxide or ozone," the research council said yesterday. "They are generally healthier and put on weight, which results in their multiplying faster, causing an increase in the size and frequency of pest outbreaks."

The explanation, said Dr Roger Moore of Lancaster University, is that pollutant gases change the biochemical balance of sap and make plants' growing shoots more attractive to aphids. "The damage is invisible but the aphids quickly respond to it."

The most detailed studies have been done on spruce, which is highly susceptible to aphid attack. Tens of thousands of the insects can feed off a single tree and defoliate all its needles.

But Dr Vic Brown of Imperial College said there was evidence that air pollution increased damage in many other plants, including roses, vegetables and cereal crops.

"Roadside and hedgerow trees in much of England are suffering as much damage as the forests of central Europe," said Prof Terry Mansfield of Lancaster University.

Cars and coal-fired power stations are the main sources of the pollutants studied.

Japanese finance ministry unveils market reforms

By Stefan Wagstyl in Tokyo

THE Japanese Ministry of Finance yesterday announced a package of reforms aimed at stamping out stock market abuses revealed in recent financial scandals.

The proposals, which are likely to be passed into law in the next few weeks, were accompanied by the publication of a tough new code of conduct from the Japan Securities Dealers Association.

They are also likely to be followed soon by the publication of detailed plans for the overhaul of the supervision of securities and banking.

A ministry official said that, taken together, the planned legal changes and the securities dealers' association's code were an important reform of the securities markets. However, critics said the measures would not go far enough.

The ministry's draft bill contains a legal ban on stockbrokers compensating clients for trading losses. Both the broker and the client will face fines and possible prison sentences if they knowingly pay or receive compensation or if they make an agreement guaranteeing such payments.

Foreign brokers, however, pointed out that the ministry's proposed penalties were very small – a maximum fine of Y1m ($7,400) for brokers paying compensation and Y500,000 for an investor receiving.

Admittedly, guilty individuals would face fines of up to one year and six months, respectively, but they said such sentences would be very rare since it would be difficult to prove a particular individual had paid or received compensation. The fines would be paid by their employers.

The ministry's draft bill also proposes a ban on brokers managing discretionary funds on behalf of clients.

Compensation payments made for losses suffered on such discretionary accounts are one of the main elements of the financial scandals, which also involve links between brokers and criminal groups and illegal loans made by banks.

The securities dealers' association's code sets out guidelines for defining what, apart from cash payments, constitutes compensation. The rules define acceptable price ranges for dealing in unlisted securities, to prevent brokers selling such securities at artificially low prices. They also set limits on the allocation of new securities to particular customers – another possible means of compensation.

Brokers said the association's code closed some loopholes but left open others.

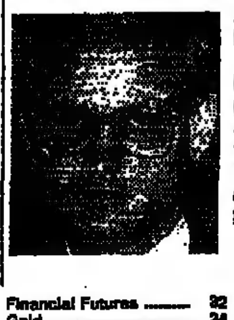
Meanwhile, the Ad Hoc Commission on Administrative Reform is due to report on Friday to Mr Toshiki Kaifu, the prime minister, on planned reform of the supervision of the financial markets. A draft proposes a new watchdog independent of the Ministry of Finance.

The new organisation, modelled on the US Securities and Exchange Council, would have powers to investigate and seek indictments. The draft report

Continued on Page 14

CONTENTS

Bildt plays for high stakes as Sweden goes to the polls



As Sweden goes to the polls on Sunday, Moderate party leader Carl Bildt (left) has his eye on the premiership. If he succeeds in forming a government, he could lead his country into the EC
Page 12

MARKETS

STERLING
New York lunchtime:
$1.7335
London:
$1.73 (same)
DM2.9325 (same)
FFr9.965 (9.9725)
SFr2.56 (2.575)
Y233.25 (233.5)
£ index 91.3 (91.5)

GOLD
New York: Comex Dec
$354.2 (355.2)
London:
$350.6 (351.45)

N SEA OIL (Argus)
Brent Oct
$19.975 (19.875)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.6905
FFr5.75
SFr1.477
Y134.68
London:
DM1.6945 (1.6955)
FFr5.76 (5.765)
SFr1.48 (1.5235)
Y134.8 (134.9)
$ index 65.3 (65.4)
Tokyo close: Y134.75

US LUNCHTIME RATES
Fed Funds: $5\frac{7}{16}$
3-mo Treasury Bills: 5.399%
Long Bond: $101\frac{1}{32}$
yield: 8%

STOCK INDICES
FT-SE 100:
2630.8 (−22.4)
FT Ordinary:
2071.9 (−16.7)
FT-A All-Share:
1,269.64 (−0.7%)
New York lunchtime:
DJ Ind. Av.
2,987.03 (−20.13)
S&P Comp
385.51 (−3.06)
Tokyo: Nikkei
22,411.58 (−162.4)

LONDON MONEY
3-month interbank:
$10\frac{3}{16}$% ($10\frac{1}{8}$)
Liffe long gilt future:
$95\frac{3}{8}$ (Dec $95\frac{11}{32}$)

THE SOVIET BREAK-UP

States told economic agreement more urgent than independence

Business chiefs urge restraint from republics

By John Lloyd in Moscow

SOVIET business leaders yesterday pleaded with the republics to postpone their drive towards independence in order to conclude a strong economic agreement which would moderate the effects of the crisis.

"Independence today is not as important as the economic issue because people must live better, both today and tomorrow," said Professor Yevgeny Yasin, economic adviser to the Scientific Industrial League, which represents state and private enterprises.

The appeal to the republics comes amid a struggle within the interim government over whether it will be possible to keep the Soviet economy functioning while economic and political authority is devolved to the republics.

Mr Arkady Volsky, SIL chairman, is also deputy chairman of the Committee for the Management of the National Economy, which now carries on the day-to-day business of Union government. Prof Yasin has worked with Mr Grigory Yavlinsky, also a member of the committee, on a plan for an inter-republican economic agreement which calls for a common monetary, fiscal and banking policy between those republics signing the agreement.

Mr Volsky and Prof Yasin said that, without a strong central authority, reform was impossible. They contrasted the Yavlinsky plan with that proposed by Professor Stanislav Shatalin, author of last year's 500-day plan for radical reform, which calls for a loose association in which republics could retain their own currencies and monetary programmes.

Mr Yavlinsky's plan, details of which were printed in the newspaper Izvestia last night, proposes the retention of a common currency, common rules for economic activity, a common credit policy and a rapid transition to free prices and to opening up republics to the world market.

When asked if the Soviet Union would have to seek rescheduling of its debt, Prof Yasin said "it would do everything possible not to – but we hope we may get some agreement from foreign partners to postpone part of our debt servicing".

His remark adds to the impression that debt rescheduling is now a live issue among the Soviet authorities, even though it is still said to be a last resort. Current debt servicing is running at about $15bn (£8.8bn) annually.

Meanwhile, a further indication of the disintegration of the Union came yesterday when a senior central banker warned that republics might begin to sell gold independently.

Mr Eduard Gostev, deputy chairman of Vneshekonombank, the foreign trade bank, told the official news agency Tass that "hasty, unco-ordinated activities could very easily spoil the market and lead to a fall in the prices for gold".

The deputy chairman was reacting to reports that Uzbekistan, a Central Asian republic which has recently declared independence and which accounts for a third of Soviet gold production, had passed a law allowing it to create its own gold reserves.

Banks wary of agricultural credits

By Barbara Durr in Chicago

THE Soviet Union will have difficulty taking advantage of $315m worth of US agricultural credit guarantees because western commercial banks consider the fast-dissolving country to be an increasingly poor credit risk.

Banking officials are loath to finance Washington's offer to make the $315m available immediately, and question what legal entity in the Soviet Union is able to commit itself to the obligations involved in borrowing at this stage.

"Why would banks lend money in a situation where it seems very difficult for the ultimate borrower to repay, even with credit? It's not good sense," said Mr Michael Yavorsky, in charge of export sales at Chase Manhattan.

The US Department of Agriculture's programme provides credit guarantees for 98 per cent of the principal and 4.5 per cent of the interest on the loans needed for Soviet purchases from US agricultural producers. A further $585m worth of credit guarantees have been promised by Washington between next month and March.

However, banks which have participated in the agricultural credits programme in the past say they might be willing to consider financing the Soviet sales again if there are "additional comforts" in the deals.

These would include guaranteeing 100 per cent of the principal and a larger portion of the interest.

The credit risk involved in the limited cover on the interest, however, appears to be causing the main concern, according to officials at both US and European banks.

The fixed guarantee on interest is not attractive because "this is a floating-rate world", said Mr Paul McGonagle, chief of international risk management at First Chicago.

European banks, which have participated more actively in the programme than their US counterparts, have also adopted a "wait and see attitude", according to Ms Whakyung Lee at Crédit Agricole's New York office.

A number of the bankers said they intended to discuss possible changes in the terms of the Department of Agriculture programme, which is run by the department's Commodity Credit Corporation.

In the past the US has eased terms of foreign purchases of US agricultural goods. In the case of Mexico, for example, it provided guarantees for 100 per cent of the principal and tied the amount of covered interest to that of 52-week Treasury notes.

Bankers acknowledged the political expediency of finding a way for the Soviet Union to buy the agricultural supplies it needs, but said the US government's presumption that the banks would step up to shoulder the loan risk was naïve.

Some bankers suggested the Department of Agriculture might be obliged to offer direct credits instead of credit guarantees and, thus, accept the risk itself.

The Soviets have succeeded in buying 100,000 metric tons of maize this week under the credit programme. But it is believed that this used a pre-coup financing commitment from a European bank.

THE upheavals in Moscow have highlighted the impact on world commodity markets of the Soviet Union's economic decline over the past two years. The question now concerns the extent to which increased western aid, allowing food imports, will ease the country's appetite for hard currency and stem a flood of metals exports which have been undermining western markets. Page 24

Georgian nationalists rally in Tbilisi yesterday in support of President Zviad Gamsakhurdia, who has taken control of the republic's National Guard

Hunt is on for 'missing' roubles

By John Lloyd

THE Soviet Union has conjured up a modern day equivalent of the alchemist stone which turns base metal to gold.

It takes the form of hidden foreign assets of the now illegal Communist party, which are said to be so fabulous that they could, if found, save the Soviet economy.

The newspaper Komsomolskaya Pravda, once the organ of the party's youth-wing but now an independent and popular daily, together with the weekly economic newspaper Commersant, have in the course of investigations into the party's secret funds variously estimated that they stand at $12bn and $100bn (£59.5bn).

Urgent investigations are under way.

Mr Nikolai Kruchina, the party's business manager and the main controller of the party's fortune, committed suicide soon after the failure of the August 19 coup. Komsomolskaya Pravda says the USSR Prosecutor's Office found a file in Mr Kruchina's flat giving the name of individuals who controlled access to the party's hidden business dealings – but which reveals little else.

The rest of the evidence so far presented is vague.

The newspaper quotes an unnamed source in Gosbank, the state bank, who says he saw documents describing four big financial transactions in which Rbs280bn were changed into $12bn and then put into foreign accounts. These deals took place in December last year and January, May and August of 1991, the source says.

The most mouth-watering detail is provided by yet another unnamed official, this time from the Moscow Convention of Businessmen, a private entrepreneurs' association. He told Commersant that party funds of up to $100bn were kept in some 7,000 bank accounts – mostly in small banks in French ports. Further caches were lodged in banks in Uruguay, Ecuador, Nicaragua, Cuba and Iran.

Asked for evidence, the anonymous official proved less than convincing. He said Mr Ivan Frolov, the former editor of Pravda, had flown to Düsseldorf immediately after the coup for medical treatment, but that after "only an hour in a Düsseldorf clinic he then disappeared, probably to draw money from CPSU accounts".

No one doubts Communist party funds were substantial. However, the salaries of thousands of workers, and in recent years the subsidies paid to publications with sharply declining sales, had, according to party sources, cut deeply into the reserves, officially claimed by party officials earlier this year to be Rbs4bn.

G7 to assess extent of possible support

By Andrew Fisher in Frankfurt

DEPUTY finance ministers of the Group of Seven industrial countries will meet in Dresden this weekend to discuss the economic implications of events in the Soviet Union and to prepare for next month's annual meeting of the International Monetary Fund and World Bank in Bangkok.

As the question of aid to the Soviet Union gains urgency, the officials will consider the extent to which governments can become involved. Germany has come out strongly in favour of western support for reform efforts in Russia and the other republics, but most countries including Germany remain sceptical about committing further large sums at this stage.

Although the G7 will form the core of the weekend's discussions, these will be widened on Sunday when the deputies from the Group of 10 industrialised countries meet.

Some of the deputies will then change hats to take part in a meeting on Monday of Working Party Three of the Organisation for Economic Co-operation and Development. This group is concerned with international payments adjustment and the co-ordination of monetary, fiscal and exchange rate policies.

In a series of other developments:

- Latvia and Estonia applied to join the London-based European Bank for Reconstruction and Development. The EBRD, which welcomed the news, said it would be sending a fact-finding mission to both republics shortly. Any new applications to the bank must be submitted for consideration by the board of directors.
- Estonia filed for membership of the International Monetary Fund.
- The Russian Federation plans to apply for membership of the IMF and the World Bank independently from the Soviet Union, a federation official said. The Soviet Union applied for full membership of the IMF in July.

Ukraine law backs foreign investment

By Chrystia Freeland in Kiev

UKRAINE yesterday put some muscle behind its August declaration of independence by introducing laws to encourage foreign investments, introduce a separate currency and take over and privatise all central government property on its territory.

The steps are another indication that Ukraine views fledgling Union-wide state structures as transitional bodies on the path to complete independence.

Such independence means competition for foreign capital, and Ukraine hopes it has a head start with its new law which will allow foreign investors to transfer all profits abroad. The law also protects foreign investors from nationalisation.

Mr Ivan Pliushch, deputy head of the Ukrainian parliament, said the presidium voted unanimously to create a separate currency. "The only issue which is not yet decided is where to print our money."

The parliament also voted to transfer ownership of Soviet property to the the Ukrainian government by December 1.

Deadlock in an embattled enclave

Ariane Genillard on the escalating claims to Nagorno-Karabakh

MR Elshad Gassanov, an Azerbaijani villager, sits in his home under a family portrait showing his five-year-old son holding a machine-gun.

"Don't ask me how many members of my family have been killed. Ask me how many remain alive," he says. Thirteen children in his village are fatherless.

Normal life is now out of the question. With the roads too dangerous to travel, outsiders can only reach the village by helicopter.

This is Nagorno-Karabakh, a mountainous enclave within the republic of Azerbaijan which is mainly populated by ethnic Armenians. The territory has suffered recurrent outbreaks of violence in the past three years as Azerbaijanis and Armenians vie for power.

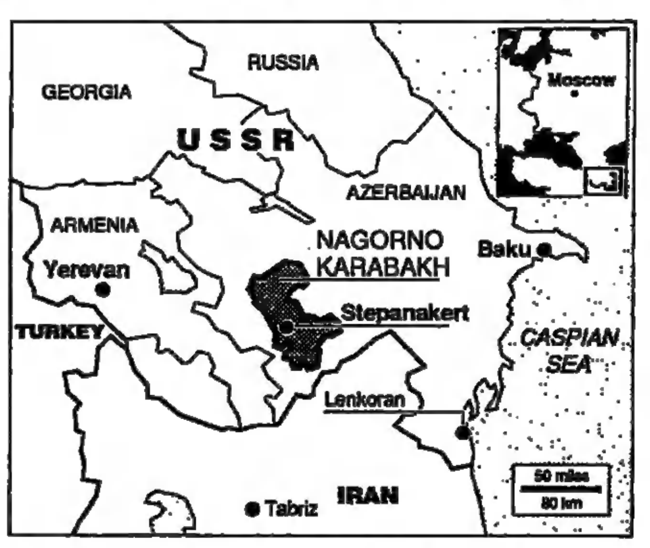
But sweeping changes in the Soviet Union are exacerbating rival claims on the area.

Last weekend alone at least 13 people were killed, bringing the number of casualties this year to more than 150 and making it the bloodiest region in the Soviet Union for ethnic clashes. Two Armenian deaths, at the hands of unidentified assailants, were reported yesterday by an independent Azerbaijani news agency.

Such is the violence that Azerbaijanis say only the intervention of the Soviet army is preventing a slide into full-scale civil war.

The Azerbaijani leadership is fearful that Moscow's support will ebb away. Soviet troops, as well as Soviet Interior Ministry forces, have been stationed in the area since a state of emergency was declared in January 1990.

Together with Azerbaijani Interior Ministry forces, they claim to defend both communities but in practice protect



Azerbaijani villages from Armenian attack.

In the small village of Meshali, Soviet soldiers almost outnumber Azerbaijani inhabitants. Colonel Ion Dima, who comes from Moldova, explains how Armenians encamped in the surrounding hills fired 71 rockets last Friday night.

But the colonel is quick to add that this conflict has nothing to do with him. After 17 years in the army he is now ready to join the National Guard in Moldova, which declared independence from the Soviet Union on August 27.

Azerbaijan declared independence three days later, but the next day Mr Ayaz Mutalibov, the republic's president, flew to Moscow to seek guarantees that Soviet forces stationed in Nagorno-Karabakh and along the border with Armenia would not be withdrawn.

Yet Mr Mutalibov shows no intention of trying to disarm combatants. Instead he has made it clear that Azerbaijan's military forces would replace Soviet troops as soon as a national guard was created in the republic.

However, the new Soviet interior minister, Mr Viktor Barannikov, said yesterday there were no plans for a rapid pullout by his troops from ethnic flashpoints like Nagorno-Karabakh. He added he would present President Mikhail Gorbachev with proposals to set up special "inter-republican rapid-deployment units" to send to such areas.

The Azerbaijani leadership's stance hardened after Nagorno-Karabakh, which has been an autonomous region since 1923, declared its independence on September 2.

"We have no intention of negotiating with any independent republic," Mr Mutalibov said in an interview this week. "Nagorno-Karabakh is inseparable from Azerbaijan and all citizens there must respect the Azeri laws."

Both the authorities in Baku, the Azerbaijani capital, and in Nagorno-Karabakh point out that previous negotiations have failed. They cite as evidence the recent murder of Mr Valery Gregorian, an Armenian from Nagorno-Karabakh who headed a delegation to open talks in Baku with President Mutalibov. Mr. Gregorian was shot dead in the streets of Stepanakert, capital of the disputed region, but it is not known by whom.

"The situation there has reached a deadlock," said Mr Mutalibov. "The place is under the control of certain destructive elements who point on the map to the area they are going to occupy next," he added, referring to Armenians.

The armed Armenians in Nagorno-Karabakh are referred to as bandits. Most Azerbaijanis believe they are armed by the CIA and Israel and are set to reconquer the disputed region.

Armenians say, however, that Azerbaijani forces, along with Soviet troops, are attempting to empty the area of Armenians, who make up 75 per cent of the population. Witnesses allowed to visit the Armenian side say locals have been forced by Azerbaijani troops to desert whole villages, which they then take over.

In the enclave itself the spirit of vengeance is so omnipresent it is hard to see how any peace agreement would hold; for three years now local Azerbaijani and Armenian villagers have been waging terrorist attacks against each other.

"This land must be cleared of Armenians, or the conflict will never end," says one man in a typical outburst of anti-Armenian anger. Next to him lies a bullet-ridden bus in which six of his fellow villagers died in an Armenian attack.

As he speaks, shooting can be heard in the surrounding hills.

Lithuanian Poles protest

By Gillian Tett in Vilnius

LEADERS of Lithuania's 350,000 Polish community yesterday took part in the first political attacks on the Lithuanian government since it gained Moscow's recognition of independence last week.

Carrying red and white Polish nationalist flags and banners several hundred Poles marched through Vilnius to protest against a decree that dissolved the regional councils of the two mainly Polish districts of Vilnius and Soleczniki, along the border with Belorussia.

The Lithuanian government intends to impose direct rule on these two areas for an indefinite period, while the Polish community is demanding autonomy within the Lithuanian republic.

Tokyo plays down territorial dispute

By Stefan Wagstyl in Tokyo

JAPAN is softening its hard-line policy towards the Soviet Union in the wake of the failed coup, and playing down the importance of a territorial row which has long plagued bilateral relations.

The shift in attitude could allow Tokyo to abandon its insistence on linking large-scale financial aid to the Soviet Union to a settlement of Japan's claim to the southern Kurile islands, seized by Soviet soldiers in 1945.

Japan would still be reluctant to offer massive financial assistance without drastic economic reform in the Soviet Union. But minimising the territorial issue is making it easier for Japanese officials to co-ordinate policy with the US and other leading industrialised countries.

Officials at the Ministry of Foreign Affairs deny Japanese policy has changed and say the goal of recovering the Northern Territories remains firmly in place. But one senior official concedes that it "would not be right" to press territorial claims now.

Hints of a shift in Tokyo's attitude came this week during meetings between Japanese ministers and Mr Ruslan Khasbulatov, acting speaker of the Russian republic's parliament and a top aide to Mr Boris Yeltsin, the Russian president. Mr Khasbulatov is the most senior Russian or Soviet official to visit Tokyo since President Mikhail Gorbachev came in spring.

Mr Toshiki Kaifu, Japan's premier, and other Japanese officials have, as before, asked for a resolution of the territorial dispute. But they have avoided pressing hard for a settlement, as they did during Mr Gorbachev's trip.

Japanese officials have also applauded a conciliatory letter from Mr Yeltsin delivered by Mr Khasbulatov in which the Russian leader promised to "accelerate" talks with Tokyo. When Mr Gorbachev made similar vague pledges in April he was repeatedly urged to be more specific.

A senior foreign ministry official said Japan was abiding by the policy it presented at the London summit of the Group of Seven, namely that Tokyo would respond favourably to positive changes in the Soviet Union.

The foreign ministry has reason to be coy about softening its approach. It runs the risk of angering right-wing political groups in Japan which have long campaigned for the return of the Northern Territories.

But Tokyo is concerned that single-minded pursuit of the territorial issue might separate Japan from its G7 partners. Officials are aware of the complexity of change in the Soviet Union and are anxious Japan is seen to be contributing to the reform process.

However, they still have serious reservations, notably a belief that the weak Soviet economy is in no condition to absorb large amounts of aid. A second senior foreign ministry official said Japan's "fundamental position" was that it wanted to help the Soviet Union. "But we have some doubts whether finance would really help unless they reconstruct their economy."

Mr Kiyoaki Kikuchi, a former ambassador and an adviser to Matsushita Electric Industrial, the electronics group, puts it more bluntly. "There will be no change in Japanese policy [on aid] because the coup has not changed anything in the economic situation, only in the political situation. Gorbachev was wrong on economic policy. We have no assurance that Yeltsin will be right."

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EUROPEAN NEWS

Dane to chair EC central bankers' group

By Hilary Barnes in Copenhagen and Peter Norman in London

MR Erik Hoffmeyer, the Danish central bank governor, was yesterday elected head of the influential European Community central bank governors' committee.

Mr Hoffmeyer, who at 66 is the longest serving EC central bank governor, was elected by his EC counterparts. He is highly regarded by his peers as a straight talking pragmatist, with a dry sense of humour, who played an important part in solving the problems of high inflation and a persistent current account deficit that had bedevilled the Danish economy for many years.

He takes over chairmanship of the EC central bankers' group when important decisions are looming in negotiations on European economic and monetary union. His tenure of office until the end of 1992 is expected to be marked by a continuity of policies from those of Mr Karl Otto Pöhl, his predecessor. But he will be less flamboyant than the former Bundesbank president.

The bankers' committee is already playing a more active role in EC monetary affairs under the arrangements for the present first stage of Emu. It has been described by Mr Jacques de Larosière, the governor of the Bank of France, as an embryonic European central bank and has launched studies on how to move to a single EC monetary policy.

Mr Hoffmeyer will represent his fellow governors at meetings of EC economics and finance ministers. Here, he will have an important role to play in the discussions over the transitional second stage of Emu and over the treaty and structure of stage three, in which monetary union is due to be achieved.

Both he and the Danish government regard Emu as desirable, and Denmark as one of the "core countries", along with Germany, Belgium, the Netherlands and Luxembourg, which will be among the first to move towards full monetary union.

However, he argues that irrevocably fixed exchange rates require fully co-ordinated monetary policy and a high degree of economic convergence and that sufficient convergence has yet to be achieved.

He does not see much likelihood that the Ecu can be substituted for national currencies in the near future. "It is as if the planners are not aware of the power of the preference of ordinary people of using what they are accustomed to," he told European bankers in June.

Mr Hoffmeyer has a well-developed sense of humour. He once told how he had asked his wife whether Denmark's politicians would take its current balance of payments deficit more seriously if he went on hunger strike. "You may be fat, but not fat enough for that," she replied.

Brundtland may have to seek confidence vote

By Karen Fossli in Oslo

MRS Gro Harlem Brundtland, premier in Norway's minority Labour government, may have to seek a parliamentary vote of confidence next month, after her party suffered its worst vote since World War II in Monday's local elections.

Gains were made by the centre and socialist left parties, with an anti-EC campaign. Mrs Brundtland will seek MPs' backing on her government's stand in talks between the European Free Trade Association, of which Norway is a member, and the EC for a European Economic Area (EEA) from 1993. Yesterday, she said Monday's elections made it less likely Norway would re-apply for EC membership. Should she lose the vote, she would have to quit. The Conservative party would be asked to form a government.

Industrial orders up for east Germany

By David Goodhart in Bonn

JUNE industrial orders for east Germany rose by 10 per cent over the previous month, giving further grounds for cautious optimism for the economy.

However, much of the increase came from promised Soviet orders which increased foreign orders by 63 per cent.

Domestic orders in fact fell by 4.5 per cent and the overall order level remained about 25 per cent down on the average of the last six months of 1990. The main sectors to benefit from foreign interest were heavy machinery, steel, railway wagons and textiles.

EC immigration talks urged

France and Germany are to call a European conference on the prevention of illegal immigration, notably clandestine immigration from Eastern Europe, writes Ian Davidson in Paris.

In addition to the members of the European Community, the interior ministers of France and Germany yesterday suggested that invitations could also go out to the governments of eastern Europe, as well as to Switzerland and Austria.

Poland 'must stay with austerity'

Poland must stick to tight monetary policies despite a recession which could last another 18 months, Mr Marek Dabrowski, central bank governor-designate, said yesterday, Christopher Bobinski reports from Warsaw.

Mr Dabrowski told parliament's budget committee that "an expansion of money supply now would lead to catastrophic hyper-inflation". But he admitted that a continuing recession carried "an enormous threat of an unco-ordinated outbreak of social discontent".

Parliament is expected to vote on his appointment at the end of this week.

A Croatian guardsman carrying an unexploded federal army tank shell found near Vukovar

Increased state ownership plan worries Swedes

John Burton looks at what is shaping up as the main election issue

PLANS by the ruling Social Democrats to increase state shareholdings in industry have emerged as the main issue in Sweden's general election campaign, which ends with voting next Sunday.

The debate has been provoked by a government's plan to expand the role of the compulsory ATP national pension funds in the capital markets.

The funds would be merged with the trade union-affiliated wage-earner funds to create five huge funds with a total of SKr500bn (£46.7bn) in capital assets. Half of this capital could be used for investment in equities, five times the size of the share portfolio now held by the ATP and the wage-earner funds combined.

The five new funds together would be allowed to acquire a quarter of the voting rights in any industrial company, with the trade unions holding half of that stake.

The government says the proposal will guarantee the future of the country's pension scheme by widening the funds investment opportunities. The opposition calls the plan a case of creeping socialism.

The ATP funds are now allowed to invest SKr25m on the bourse, while the wage-earner funds, which were financed until this year by a corporate profit tax, has another SKr20m in equities. They are among the biggest shareholders in companies such as Volvo, the car maker, and Astra pharmaceuticals.

Abolition of wage-earner funds will be among the first actions the non-socialists take if they gain power, which the opinion polls suggest will happen.

In contrast to the Social Democratic policy of selling minority stakes in state companies while retaining majority government control, the non-socialists favour full-scale privatisation, albeit over a lengthy period.

The goal is to sell assets valued at SKr10bn per year through general share issues on the Stockholm bourse. An amount greater would swamp the market, where total new share issues averaged around SKr10bn a year during the 1980s. It would take 25 years to finish the privatisation programme at this rate.

Early candidates for privatisation would be the state companies already listed on the bourse, including pharmaceutical and food group Procordia and the steel concern SSAB.

Foreigners would probably be allowed to participate in some share offerings and corporate acquisitions, although it is still unclear how the non-socialists would change rules governing foreign ownership. Foreigners are not allowed to own natural resources, such as mines and forests and may also be prevented from acquiring defence companies for national security reasons.

Dutch under fire over stance on Emu progress

By Andrew Hill in Brussels

THE Netherlands, which holds the presidency of the EC, is likely to face strong opposition from some northern member states if it attempts to abandon the technical paper on economic and monetary union discussed at Monday's meeting of Community finance ministers.

The paper would have allowed a group of economically strong member states to move ahead to the final phase of Emu ahead of their weaker counterparts, based on strict economic criteria.

It was welcomed by the UK and Germany on Monday and yesterday morning Mr Douglas Hurd, the foreign secretary, said on BBC radio the plan represented an acceptance of reality by other EC members.

However, immediately after Monday's meeting, Mr Wim Kok, the Dutch finance minister, said he had not approved the paper and that it had "no political status". He also said he favoured a system of derogations for weaker economies, rather than a two-speed approach which he described as "a structural impairment" to the Emu process.

Italy – one of the principal opponents of the original paper – would welcome any return to the idea of derogations. It would keep the group of 12 together in the final move to currency union and eliminate the risk of Italy being excluded from the first division of strong economies. An Italian official said yesterday that the country's delegation at Monday's meeting – led by Mr Guido Carli, the treasury minister – were "rather pleased how things turned out".

It remains to be seen whether the Dutch will attempt to incorporate derogations into a formal draft treaty, which they expect to produce before the end of next month. National officials were yesterday involved in discussions about different aspects of Emu and were unavailable to comment on the implications of Mr Kok's comments at the end of Monday's ministerial meeting.

EC cooling-off plan for time-shares

MR Karel van Miert, EC commissioner for consumer affairs, is planning to introduce Community legislation which would allow buyers of time-share properties a "cooling-off" period during which they could change their minds about a deal, Andrew Hill writes from Brussels.

The Commission may produce a draft directive aimed at protecting time-share customers before the end of the year. Mr van Miert, who has already suggested a similar "right of reflection" for mail order customers, said he welcomed the recent introduction in Belgium of a law imposing a statutory cooling-off period, and forbidding promises of perks for commercial ends. Certain time-share operators are notorious for offering potential buyers "prizes" if they sit through presentations about holiday developments. The free gifts often prove to be illusory or are attached to unreasonable conditions.

The Commission has already put forward a directive on unfair contracts, which would make it illegal for any sales contract to include a clause forbidding a period of reflection. That directive should be adopted by member states before the end of the year, but Mr van Miert wants a separate directive to make a cooling-off period compulsory in time-share contracts.

Such a directive would also reinforce EC legislation from 1986 on door-to-door selling. That obliges salespeople to offer a cooling-off period, but does not cover time-share operations.

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WORLD TRADE NEWS

Customs raids hit US-China links

By **Nancy Dunne** in Washington

WASHINGTON-Beijing relations have received another jolt following raids by the US Customs Service on the 23 American-based offices of Chinese government trading companies, seizing money and millions of dollars' worth of goods suspected of having illegally entered the US market.

Beijing responded with a strong protest to Mr Richard Solomon, US assistant secretary of state. Zhu Qizhen, China's ambassador to the US, said his government was "shocked and gravely concerned at this unjustifiable development".

US textile interests urged US Customs to continue its investigations. The American Textile Manufacturers Institute (ATMI) claimed the seized goods represent "only a small portion" of the large volume of transshipments of Chinese textiles and apparel.

Ms Carol Hallet, US Customs Commissioner, said three people holding Chinese diplomatic passports were detained and that the corporations involved in the seizure all "deal with products made in mainland China". Customs officials were said to have already seized $3m-worth of property and cash from the companies involved.

Customs gave little away about "simultaneous search warrants" executed beyond New York City, where most of the trading houses are situated. The seizures follow allegations that the clothing had been mislabelled as originating outside China, including from Macao or Hong Kong, to avoid US textile quotas.

The seizures come as US-Chinese tension is growing. President Bush promised senators to take tough action against China in a whole series of trade disputes, including illegal Chinese textile shipments through third countries "if China does not exert effective control". Failure by the administration to act could leave the president vulnerable to Congressional attempts to place heavy conditions on next year's renewal of China's Most Favoured Nation status.

> China has been able to worry the US farm lobby enough to make Washington 'blink first' in any dispute

The administration has set a September 30 deadline for receiving specific pledges from Beijing to open its markets to imports. US sanctions can be expected by November in another dispute over China's alleged failure to protect foreign companies' intellectual property rights.

Chinese officials have so far given no sign they will bend to US pressure. Hitherto, Beijing has made few concessions and has skilfully played its "grains card". By disappearing from the US agriculture market for a time, it has been able to worry the US farm lobby enough to make Washington "blink first" in any dispute.

US textile interests have become increasingly alarmed by the growth of imports during this year's recession. In June, the most recent month for which figures are available, textile imports climbed 8.3 per cent.

Mr Carlos Moore, ATMI executive vice-president, urged the administration to seek ways to curb market disruptions "instead of continually phasing out controls with new trade agreements".

Mobile phones plan for Athens

ATHENS is seeking preliminary offers for two mobile phone networks for mainland Greece and some islands, to be set up in co-operation with OTE, the state telecoms company, Kerin Hope writes from Athens.

Mr Tzannis Tzannetakis, deputy prime minister, said yesterday that up to 10 consortia would be shortlisted next month and asked to submit bids. Contracts will be awarded next April. Investment is expected to reach $200m (£118.3m) over five years, with priority given to developing mobile communications around Athens.

Officials say the networks will attract 80,000 subscribers in the first three years. Both will use the GSM system being set up throughout Europe. Athens wants OTE to have a 35 per cent stake in each.

Computer makers rush to fill vacuum in eastern Europe

WESTERN computer makers including International Business Machines (IBM) of the US, Siemens Nixdorf of Germany and ICL, the UK-based subsidiary of Fujitsu of Japan, are jockeying for position in eastern Europe, after the collapse of local computer manufacturing, Alan Cane writes.

Yesterday, ICL said that in a break with its accepted business practice, it intended to market in Poland and Czechoslovakia mainframe computers built by its Japanese parent, as well as its own Series 39 machines.

It claims to lead in supplying imported computer systems in the two countries.

Mr Peter Slavid, ICL's corporate systems business manager, said the decision to sell Fujitsu mainframes was a local response to eastern European market conditions and would not be repeated elsewhere. Fujitsu has stressed ICL should be seen as a member of a loose confederation of Fujitsu subsidiaries, free to compete with its parent in world markets.

ICL has decided to sell Fujitsu mainframes in Poland and Czechoslovakia since the Japanese machines are closer in design to the "Ryad" mainframes formerly built in eastern Europe than ICL's Series 39 computers. It will be easier for Polish and Czechoslovakian computer users to move from their obsolete Ryad mainframes to Fujitsu's M-series mainframes than to Series 39.

The Ryad range was introduced by the Soviet Union and its east European allies in 1972, based on the design of IBM's mainframe computers. They have become the *de facto* standard in the former Soviet bloc but after local makers closed, they will have to be replaced by western systems.

The Ryad design is no longer adequate for the growing information needs of countries like Poland, Hungary and Czechoslovakia as they try to revitalise their economies. Eastern Europe probably has about 1,200 Ryad machines ready for replacement by modern western computers. IBM can capitalise on this need, with a stock of machines available through its leasing subsidiary.

Brussels tells Japan to get crack(l)ing

AT a buffet next week promising a fine selection of Danish pork dishes, Japanese officials will be expected to chew over a promise by Mr Toshiki Kaifu, Japan's prime minister, to end a pork import fraud allegedly involving Taiwanese pigs and Japanese gangsters, Robert Thomson reports from Tokyo.

Since Mr Kaifu gave this pledge three months ago, Japan's Taiwanese pork imports have kept rising, European exports have kept falling, Tokyo is again arguing no pork problem exists, and the EC is squealing over lost share of the market. Japanese officials have even hinted that while Mr Kaifu is free to make promises, the government does not necessarily have to keep them. This lack of action has prompted the EC to co-host a seminar with the Danish pork industry next Tuesday, and offer the Japanese guests a menu of politically-flavoured pork loin.

The EC delivered a Note in April complaining some Taiwanese pork is sold at unfairly low prices in Japan because of invoice falsification, and asking Tokyo to "suppress fraudulent pork imports". Falsified invoices are used to take advantage of a "differential duty" system designed to protect Japanese farmers by charging extra duty on imports priced at below a minimum of Y612 (£2.67) per kg.

By marking invoices at Y612, the EC say, some Japanese importers slice off a profit on pork bought for, say, Y400 from Taiwanese suppliers; distributors and retailers also benefit. It is not suggested all Japanese traders are involved, but the EC has made a list of suspect companies, and is awaiting Japanese police action. "It's easy to see something's wrong. The minimum import price is supposed to be Y612, but you can buy pork for Y450 in Japanese stores. If the import price was true, they would be losing Y200 on every kilo sold," a Danish official said.

Kaifu: pledge to act

In the first half of this year, pork imports from Taiwan rose 28.1 per cent; those from Denmark fell 13.4 per cent. By end-July, Taiwan had a 51 per cent share of the $1.5bn (£880m) market against Denmark's 32 per cent. The Danish industry had already recorded a 22 per cent fall in exports last year, and lost its place as market leader. The issue is complicated by the role in meat imports played by a Japanese underclass known as the *burakumin*, traditional slaughterers of livestock, discriminated against and feared. Japanese gangsters are also thought to have won a prime cut of the illegal market by using short-lived front companies and passing themselves off as *burakumin*, whom police can be reluctant to prosecute.

Japan's Ministry of Agriculture insists the EC is exaggerating the impact of the fraudulent imports, and that Taiwan's proximity and its strength in chilled pork are important reasons for the growing share. But the EC says chilled pork sales have hardly fluctuated, and Commission officials are planning a tougher approach, if the pork buffet does not work.

Extra $400m for Japan-Hungary trade cover

JAPAN'S Ministry of International Trade and Industry (Miti) will extend an additional $400m (£236.6m) of trade and investment insurance over the next two years for Japanese companies doing business in Hungary, a Miti official said yesterday, AP-DJ reports from Tokyo.

Miti will also send a team of government and private officials to Hungary this year to study the Hungarian government's plans to promote industry as well as to offer technical advice.

The visit to Hungary, lasting about one week, should allow Miti to supplement the information it receives from Japanese companies by speaking directly with government economic planners, the official said.

The mission to Hungary was a "new idea", which would be continued "for several years. . . .to help promote Hungarian industry" by discussing sectors and areas where the Japanese trade and investment insurance could be used most efficiently.

The idea of sending such teams periodically to recipients of Japanese government insurance could be extended to other countries besides Hungary.

Kellogg to build plant in Latvia

KELLOGG, the US foods group, yesterday said it had set up a ready-to-eat cereal manufacturing joint venture in Latvia, which recently achieved independence from the Soviet Union, Martin Dickson reports from New York. Its partner is Adazi Inc, a private, employee-owned company. The venture is to build a plant in Riga to come into operation in 1993 and serve Latvia, other Baltic states and Belorussia and Russia.

AMERICAN NEWS

Brazilian insider trade claim

By **Victoria Griffith** in São Paulo

BRAZIL'S stock market watchdog, the Comissão de Valores Mobiliarios (CVM), has revealed an insider trading scandal in the shares of Telebras, the state-controlled telephone company.

Mr Rene Garcia, CVM director, said on Monday two São Paulo broking firms and eight individuals were involved. The CVM accused the traders of having advance information on large purchases in the market, which led them to speculate on their own account. "We are taking this case to the end, to show to the world that insider trading is not acceptable in Brazil," said Mr Garcia.

Telebras has become a favourite share among foreign investors lately. Over the past five months, the share price has almost quadrupled in dollar terms. As a result, the company has moved from 13th to third place in market capitalisation rankings, and is now valued at about $1.7bn (£1bn).

The CVM said it would not reveal the names of the alleged offenders until its investigations were completed. The punishment, however, is likely to be light by international standards.

US court nominee is warned over 'evasion'

By **George Graham** in Washington

JUDGE Clarence Thomas yesterday faced a barrage of tough questioning from senators on the first day of hearings on his nomination to the US Supreme Court.

The eight Democratic members on the Senate judiciary committee served notice that they planned to question Mr Thomas closely on his views on abortion, civil rights and the constitutional role of the Supreme Court. They warned him that they would not be satisfied with the evasive responses they had received from the last two Supreme Court nominees.

"Many of us are concerned about the direction the court has taken in recent years. It has increasingly abandoned its role as the guardian of the powerless. It has repeatedly sought to turn back the clock on civil rights," complained Senator Edward Kennedy.

"Many fear that we are witnessing the creation of a monolithic right-wing court that is going to favour the state and the power of the state over the rights of the individual," said Senator Patrick Leahy.

Mr Leahy acknowledged that it would be inappropriate for Mr Thomas to be asked how he

Kennedy: "concerned"

would rule on specific issues that might come up before the Supreme Court, but warned that he would not accept this as an excuse for avoiding questions on all sensitive issues, as previous nominees have done.

The committee's Republican minority came to Judge Thomas's aid with glowing praise for his ascent from poverty. "I'm so doggone proud of you I can hardly stand it," said Senator Orrin Hatch of Utah, who said he could understand Mr Thomas's childhood experience because he, too, had grown up in a home "without indoor facilities".

But even Senator Arlen Specter, a Republican from Pennsylvania, warned that he was concerned about Judge Thomas's apparently low opinion of Congress.

"I believe that deference is due to the president's nomination, but that could change if the trend continues to turn the court into a super-legislature," he said.

Judge Thomas, whose nomination has divided political interest groups, is expected to face three days of questioning from the 14-man committee.

A New York Times/CBS opinion poll yesterday showed that 65 per cent of those questioned had no opinion on the nomination. Of those who had formed an opinion, twice as many favoured Mr Thomas as opposed him.

The poll also showed that 42 per cent of those questioned thought the Supreme Court was too conservative, compared with 30 per cent who thought it was too liberal.

British MP seeks probe into journalist's death

By **Leslie Crawford** in Santiago

LABOUR MP Mr David Winnick yesterday urged "the most strenuous inquiries" into the death of Mr Jonathan Moyle, the British journalist found hanging in the closet of a Santiago hotel room last year. His call to Mr Kenneth Baker, the home secretary, follows a Chilean judge's finding that Mr Moyle was murdered and did not commit suicide as the Chilean authorities originally ruled.

Mr Moyle, the editor of Defence Helicopter World and a former RAF pilot, was found hanging from a sheet in the clothes cupboard of his Santiago hotel in March last year. He was attending the FIDAE air show, the biggest exhibition of military hardware in Latin America.

Chilean homicide police said he had committed suicide. However, his death gave rise to press reports that he was murdered because of information he had obtained on sales of military technology to Iraq.

Mr Tony Moyle, his father, believes this to be the case.

Judge Alejandro Solis's verdict closes an 18-month inquiry dogged by a lack of co-operation from both British and Chilean authorities. The inquiry failed to shed any light on who killed Mr Moyle or why. Mr Solis said he decided to close the case temporarily in the absence of further evidence.

Second quarterly trade surplus in a row for US

THE US recorded a $3bn (£1.7bn) surplus in foreign trade from April through June, the first time it has posted back-to-back quarterly surpluses in nine years, the Commerce Department said yesterday, AP reports from Washington.

The second-quarter surplus followed an even larger one of $10.5bn in the first three months.

However, the positive trade numbers in both quarters reflected huge payments made to the US Treasury by other countries, including Japan and Saudi Arabia, to pay for the Gulf war. Without these the country would have suffered a deficit of $5.2bn in the second quarter and $6.4bn in the first.

Mr David Wyss, an economist with DRI-McGraw Hill, the economic consultancy, said he expected the deficit almost to disappear this year, falling to around $6bn. But in 1992, Mr Wyss said, "the deficit will worsen. As the economy comes out of the recession, imports are going to rebound."

Economists said they were looking for the deficit to shoot back up to the $70bn-$80bn range in 1992, reflecting the absence of Desert Storm payments and higher imports.

The trade figure covers the current account, the broadest measure of trade, which tracks not only the flow of merchandise between countries but also investment and service transactions.

Poverty scheme boosts Salinas

The Solidarity programme aided the government in Mexico's mid-term elections, writes **Damian Fraser**

MEXICO'S President Carlos Salinas de Gortari tries to spend a few days every week inaugurating public works projects under the banner of the "Solidarity" anti-poverty programme. This week he will visit eight Mexican states inaugurating still more projects, in honour of the second national Solidarity week.

The programme, launched in December 1988, has become the president's most visible domestic policy. As Mexico's economy has grown and public finances strengthened, spending on the programme has risen to $1.7bn (£1bn) this year, a 60 per cent rise on 1990.

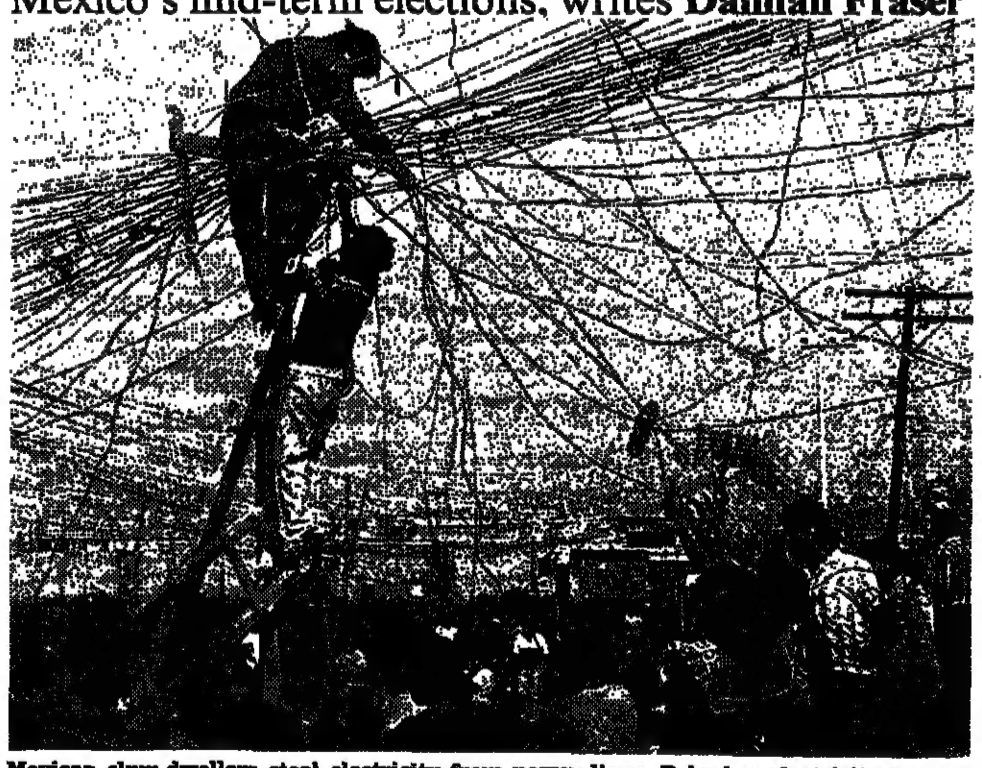
Supporters and critics alike acknowledge the critical role of the programme in the government's convincing victory in last month's mid-term elections. Mr Frederico Reyes Heroles, editor of the public opinion magazine Este Pais, says: "The impact was very high. Solidarity has proved a very effective way of exploiting the power of the president."

Government officials are quick to reel off the benefits of the programme. According to the ministry of budget and planning Solidarity money will by the end of this year have helped refurbish 51,000 schools, built 1,030 rural health clinics, financed 181,000 student scholarships, 4,819 running water pipes and so on. Since the government has taken to re-naming existing social programmes as Solidarity projects, the list is almost endless.

Day after day on Mexican television and radio smiling peasants give thanks to Solidarity for the arrival of roads and electricity. Food coupons for the poor, medical clinics in villages, loans to small farmers, student scholarships all bear the Solidarity imprint.

The programme breaks new ground not just in its size, but in the way in which it is organised. In theory every Mexican community – be it a village or street – can elect a Solidarity Committee to decide what public works projects the community needs. The committee then solicits the money for the chosen project from the president or budget ministry. If the money is granted, the committee is responsible for the project's construction.

Mr Carlos Rojas, who heads the programme, says this ensures that small communities obtain the projects they want, rather than as in the past what federal and state bureaucracies thought they should have. There is, supposedly, less corruption than in the past, since the recipients of the money are those benefiting from and carrying out the projects. And the new programme is much nimbler than previous



Mexican slum-dwellers steal electricity from power lines. Bringing electricity to poor areas is one of the Solidarity programme's successes.

ones. "In 1989 and 1990 we carried out 100,000 projects. No other government agency could have done that because of the bureaucracy," Mr Rojas says.

This approach to government spending has obvious political advantages. An architect in the town of Maravatio in Michoacan, in charge of renovating a theatre with Solidarity money, says: "People think the money is coming directly from the president and not from the [opposition] municipal president." Mr Salinas has reinforced this image by inaugurating as many projects as he can.

The Solidarity committees, on the other hand, are said to be breaking the power of local *caciques*, or village chiefs, whose corruption and omnipotence had damaged the ruling Institutional Revolutionary Party (PRI). Some government supporters suggest that the committees will provide the PRI with a new generation of local political leaders. In the August mid-term elections, three PRI senate candidates had been the Solidarity delegates for their state.

However, critics argue that the political objectives of Solidarity – apart from concentrating presidential power still further – are distorting its anti-poverty ends. The budget is so loose and informal that no-one knows exactly how and where money is being spent. Critics say the programme resembles at times more a giant presidential slush-fund than a carefully targeted anti-poverty project.

One US-based economist specialising in poverty programmes derided the suggestion, made by Mr Rojas, that Solidarity was becoming a model anti-poverty programme closely watched the world over. "Solidarity has an urban bias focusing on slightly higher-income people who vote and have been squeezed by the crisis of the 1980s," the economist claims.

Mexican opposition leaders in turn characterise the programme, and the huge free advertising campaign that accompanies it, as blatant vote-buying rather than poverty-alleviation.

The Solidarity-financed theatre in Maravatio, Michoacan for example, is unlikely to help the roughly 20 per cent of Mexicans who are extremely poor and undernourished. Nor are other programmes – such as subsidised loans to small land-owners – helping the very poor, most of whom do not have any land.

As he criss-crosses Mexico this week, Mr Salinas will not worry too much about these criticisms. He can justifiably claim that this latest brand of Mexican populism is not damaging the Mexican economy; thanks to cuts in subsidies and revenues from privatisations, the government budget will be in balance this year. Indeed Solidarity's political success has been critical to continued support for the president's liberal economic reforms.

Mr James Baker, US secretary of state, has hailed Mexico's economic reforms as a lesson to the rest of the world, while broadly approving of the conduct of last month's mid-term elections, Damian Fraser writes.

Mr Baker told the annual meeting of the US-Mexican binational commission on Monday that the "economic revolution in Mexico" was "remarkable".

The commission met as the two countries, with Canada, are negotiating a free trade agreement. Mr Baker said: "We are making tremendous progress and there is increasing good will." Ms Carla Hills, the US trade representative, said she saw no insurmountable problems to reaching an agreement.

Mr Baker said Mexico and the US would remove remaining barriers to agricultural trade. This would be an important Mexican concession, since Mexico's maize sector is now largely closed to foreign competition.

South Korea's two opposition parties to merge

By John Ridding in Seoul

SOUTH Korea's two main opposition parties yesterday announced that they were merging in an attempt to challenge the ruling Democratic Liberal Party in next year's general and presidential elections.

The formation of the new party, which will be called the Democratic Party, represents the first substantial alliance of South Korea's splintered opposition forces since the introduction of democracy in 1987. It will boost the political ambitions of Mr Kim Dae Jung, South Korea's veteran opposition leader and joint president of the new group.

Kim Dae Jung: joint president of new party

But western diplomats and analysts said the Democratic Party had much to do to present itself as a credible alternative to the government. They said the merger had been forced by the weakness of opposition groups, and in particular their poor showing in local elections held earlier this year.

The Democratic Party will control 76 of the 299 seats in the National Assembly. It will be led jointly by Mr Kim Dae Jung and by Mr Lee Ki Taek, head of the smaller opposition group in the merger.

The ruling DLP, formed last year through a merger of the ruling party and two opposition groups, holds 215 assembly seats.

"Through today's merger, a big and strong opposition group emerged in our country," Mr Kim said in a speech before supporters at the national assembly. "Let us march towards the road to victory over the immoral Democratic Liberal Party by the gaining support of the people."

According to Mr Kim, the new party will serve as a catalyst in easing the regional divisions which characterise Korean politics. This is because Mr Lee Ki Taek, the party's co-leader comes from Kyongsang province, the traditional rival of Cholla province which is Mr Kim's power base.

The Democratic Party says it hopes to reduce the gap between haves and have nots, work against corruption and enact policies to ease inflation. It says it will oppose the revision of the constitution from the current presidential system to a cabinet system of government. The change is being sought by the largest faction in the ruling party.

● An Asian ministerial meeting of the Group of 77 opened yesterday in North Korea's capital of Pyongyang, AP reports. The conference was the first ever held by a UN-related organisation in the communist North.

North and South Korea are expected to be formally accepted as members of the UN at the General Assembly this month.

The Group of 77, formed in 1964 as part of the UN Conference on Trade and Development, aims to promote economic co-operation among developing nations. It now has 128 member countries. Among those attending is North Korea's rival, South Korea.

US group condemns Kuwait killings

By Victor Mallet, Middle East Correspondent

A US-based human rights group has condemned the killings, torture and deportation of suspected collaborators in Kuwait since the country was liberated in February and accused the US administration of a "disturbing unwillingness" to protest.

Middle East Watch, in a report published today, says most of the abuses were committed by the security forces or by irregular armed groups working with them. The state security secret police is singled out as worst offender.

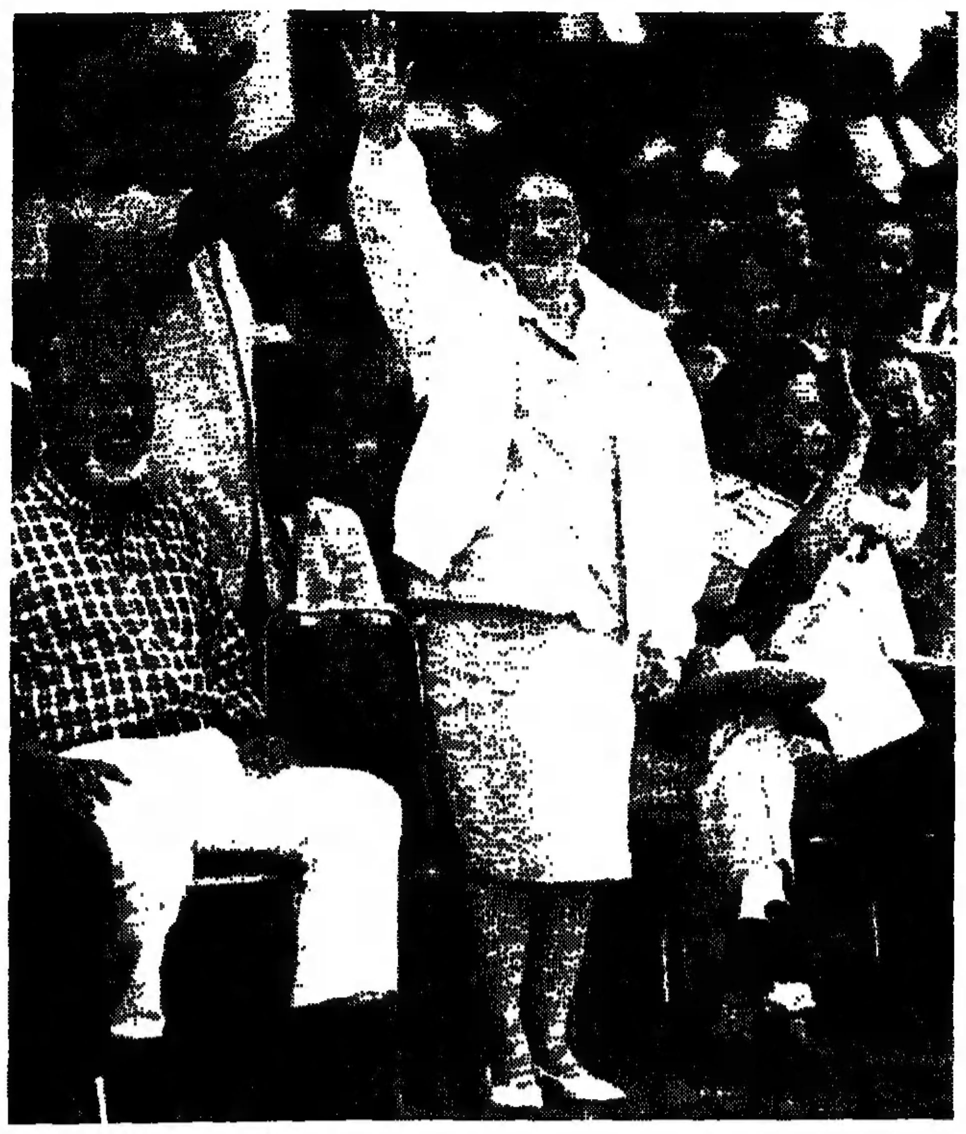
The report says "the highest levels" of the Kuwaiti government shared complicity in the killings because none of those responsible has been arrested and because members of the government have called for Kuwait to be "cleansed" of a supposed fifth column.

"The violence of the early months... is increasingly being supplanted by an inhumane and illegal deportation process which threatens to accelerate in the light of a governmental decree that residency permits of all non-Kuwaiti citizens will expire at the end of October."

Kuwait has detained at least 5,800 people in the six months since the Iraqis were driven out by the allies, and 3,000 remain in detention, including at least 300 being held incommunicado, according to Middle East Watch. Most of the victims are Palestinians, Iraqis or stateless Arabs known as the *bidoun*.

It said that one Kuwaiti cemetery at al-Rigga holds 54 unidentified bodies of people who have been killed or have died in unexplained circumstances since the week after liberation.

A Victory Turned Sour: Human Rights in Kuwait Since Liberation. Middle East Watch/Human Rights Watch, 485 Fifth Avenue, New York, NY 10017-6104.



President Aquino at yesterday's attempt in Manila to rally people power in support of US bases

MRS CORAZON AQUINO, the Philippine president, yesterday proposed that a plebiscite be held on a US bases treaty now facing rejection in the country's senate, writes Greg Hutchinson in Manila.

Late last night, the upper house met to consider a proposal that would allow about five senators currently opposed to the treaty to cast a yes vote conditional on the pact being approved by a popular vote. Twelve of the 23 senators are known to be against the pact, which needs 16 votes to pass.

Mrs Aquino's attempt to lead a rally in support of the treaty, which requires acceptance by Monday when US leases expire, attracted less than 50,000 people instead of the 500,000 expected, an indication of the wane in people power, the force that helped topple the dictatorship of Ferdinand Marcos 5½ years ago. In an echo of Mr Marcos's politics of manipulation, most of the people at the demonstration arrived by bus and had their meals provided.

Underlining the groundswell of nationalism, demonstrators opposed to the bases thronged the streets outside the senate building last night. The demonstration appeared far more spontaneous and was at least as large as the government-financed rally.

Gen Lisandro Abadia, head of the armed forces, accused senators rejecting the bases treaty of taking the line of the country's banned Communist party. But he denied there was substance to rumours that the military might launch a coup to reinstate the Americans. President George Bush has reiterated that there would be no new concessions to entice an eleventh hour ratification by the Philippine senate. After 15 months of negotiations, in which the US made significant concessions, Washington is disinclined to talk further, diplomats say.

NEWS IN BRIEF

Kaifu battles for electoral reform

PRIME Minister Toshiki Kaifu, risking his political future, appealed to parliament yesterday to back his plans to overhaul Japan's cash-driven electoral system, Reuter reports from Tokyo.

Legislators, after weeks of hearings on stock market scandals, finally began to tackle the main business of the current parliamentary session - debating Mr Kaifu's election reform proposals.

"I am determined to pass...a package of three bills in order to create a new political system," Mr Kaifu told the lower house.

The premier wants to extend his term in office when it expires in late October but leaders of the ruling Liberal Democratic Party (LDP) hope to replace him.

The success or failure of the reform programme may well determine who wins the leadership battle.

"I hope you will pass these bills after sufficient deliberation," Mr Kaifu appealed to legislators in Tuesday's session, kicking off several weeks of debate.

Mr Kaifu's package consists of two bills to reform the election law and political funds law and a third calling for controls on political parties. The government hopes to have them passed by the end of the parliamentary session on August 4.

The package involves converting the powerful lower house's 130 multiple-seat constituencies into 300 single-seat districts. The remaining 171 seats would be decided by proportional representation.

Bond tells of guarantee

MR Alan Bond signed a personal guarantee for a $340m (£201m) loan that both he and the banks knew could not be repaid, the Australian tycoon told the Supreme Court of New South Wales yesterday, Reuter reports from Sydney.

Mr Bond said he believed the guarantee would not be enforced because of an assurance from the then-chairman of the Hong Kong and Shanghai Banking Corporation, Mr William Purves. Mr Bond is challenging bank action to wind up his private company, Dallhold Investments. The case could ultimately result in bankruptcy for the former chairman of the Bond Corporation.

Hongkong and Shanghai Banking Corp, Bank of New Zealand and Tricontinental Corporation are seeking to enforce a $194m guarantee given by Mr Bond in 1990 on a $340m loan to fund the Greenvale nickel project in Queensland.

Hong Kong court finalised

Hong Kong's proposed Court of Final Appeal, one of the most important issues needing to be resolved before the 1997 transfer to China, has been finalised and its establishment is expected to be announced later this month, writes Angus Foster in Hong Kong.

The court, which will replace the Privy Council in London as the highest appeal court, could take more than a year to set up but should be ready late next year or in 1993.

Hanoi praises China ties

Mr Nguyen Manh Cam, Vietnam's foreign minister, yesterday described his visit to China as a symbol of the complete normalisation of relations between Hanoi and Beijing, writes Yvonne Preston in Beijing. Mr Cam, was speaking at the start of the first day of talks with Qian Qichen, his Chinese counterpart. While Mr Cam made it clear Hanoi sees no bar to resumption of full ties, an official announcement from the Chinese side is not expected until the end of this week's talks. China has signalled agreement in recent official statements.

Beijing slows down building

China, tightening credit amid a trend in growing domestic debt defaults, has ordered reductions in new building projects, the official China Daily newspaper said yesterday, Reuter reports from Beijing.

The move signalled a firm commitment by Chinese leaders to crack down on debt-ridden state enterprises that are mainly responsible for the building boom, western diplomats said.

Burma junta's 10-year plan

Burma's military junta, which crushed an uprising for democracy then ignored the results of a general election, says it could hold power for 10 more years, Reuter reports from Bangkok.

"We cannot say for how long we will be in charge of the state administration. It might be five years or 10," junta member, General Aung Ye Kyaw, told government officials in the northern city of Mandalay. He reiterated the military's position that it would not transfer power until a new constitution was in place.

Hurd's visit to Kenya will highlight a nation divided

MR DOUGLAS HURD, the British foreign secretary, arrives in Kenya, today for a two-day visit to Britain's most favoured former colony and the second-largest recipient of British aid in sub-Saharan Africa, writes Julian Ozanne in Nairobi.

He will find a nation gripped by politically explosive newspaper headlines, most recently devoted to President Daniel arap Moi attacking multi-party advocates as "anarchists" and accusing them of a plot to give marijuana to youths to incite them to demonstrate.

He will be told about growing fears among Kenya's international donors about the concentration of wealth in the hands of politically connected businessmen and mounting government corruption.

And, if Mr Hurd meets the government's critics, he will find deep discontent with Britain's failure to implement a policy, first announced by the foreign secretary himself: linking British aid to democratisation, clean government and respect for human rights and the rule of law.

Since the birth last year of the pro-democracy movement, a collection of former politicians, lawyers and clergymen, things have never been quite the same in Kenya – a country which for years was praised as a peaceful, pro-western bedrock of stability in an otherwise turbulent region. At least 20 people were shot dead in three days of riots last July, after the government detained a number of pro-democracy advocates. Since then the government has been under constant pressure to implement the kind of democratic political changes happening in other parts of Africa.

Mr Moi, however, has nailed his colours firmly to the mast of the one-party state. The president argues that multi-party politics would degenerate into tribalism.

The government's critics say this is an excuse for perpetuating rule by an undemocratic élite. They say that Britain's quiet diplomacy has failed and they want Mr Hurd to cut British aid, worth £42m last year.

It is unlikely that Mr Hurd will respond to these demands and most British officials believe the opposition goes too far. More worrying, perhaps, to the British government is the growing evidence of corruption and the concentration of wealth in the hands of senior government officials. Mr Nicholas Biwott, the powerful minister of energy, was accused recently of allegedly asking an Italian company for a £1.7m bribe. Trade with Kenya amounted to £380m last year and there is at least £1bn of British investment.

Concern is also growing about the scale of takeovers of large local and foreign private companies by Asian businessmen believed to be acting as front men for senior government figures. Mr Hurd will not go into detail about these matters. He is more likely to encourage the government to move towards a more open political and economic system and reassure it of continued British goodwill while reminding it that the world has moved on and that nations which stand still do so at their own peril.

UK NEWS

Receivers seek buyer for failed ticket agency

By David Churchill and Norma Cohen

RECEIVERS for Keith Prowse, Britain's largest ticket agency, which went into liquidation on Monday with debts estimated at £7m, have until the end of the week to find a buyer or face a revolt among London theatres and others who are so far honouring agency tickets.

Mr Malcolm Shierson, one of the joint receivers from Grant Thornton, said last night that they had received a "phenomenal" amount of interest yesterday from companies interested in buying all or parts of the group.

"But we are aware that there is a deadline of another 48 hours by which time we have to show something positive for our efforts which will persuade the theatres to stay with us," he said last night.

Receivers were called in to Keith Prowse after two potential buyers pulled out on learning that the diversified ticket agency's losses for the last year were "substantially" larger than the £3m estimated earlier.

The buyers realised that Keith Prowse would need to borrow about to £6m to see it through to the year end, in addition to some £6m it has outstanding. The accountants' report, still in draft form, covered the year to end June 30, 1991.

Keith Prowse's difficulties stemmed, in part, from its ill-fated attempt to import UK-style hospitality events to the US market. The company invested some £5m in the venture since the early 1980's and lost all of it.

Keith Prowse's consolidated accounts for the 18 months ended June 1990 show that its US subsidiary owed over £4m to the parent company, nearly double the level at the end of 1988.

The company had an office in New York and another in Atlanta, Georgia, and attempted to interest Americans in attending sporting events in style, in addition to offering the service at sporting events such as the American football superbowl.

Keith Prowse's difficulties were exacerbated by the sharp fall-off in tourism during the Gulf War and by reduced demand for corporate hospitality by UK businesses pinched by recession. But the company's difficulties pre-date that period.

Borrie voices concern at EC policy

By John Willman

SIR Gordon Borrie, director general of the Office of Fair Trading, voiced concern yesteday at decision-making on EC merger policy and said decisions by competition commissioners had been overriden.

Speaking at a Confederation of British Industry conference on European Community and UK competition law and policy, Sir Gordon questioned the role of the EC College of Commissioners, which helps formulate policy.

"Anxiety arises because some commissioners may favour the Euro champion idea or be influenced by considerations of regional policy and allow an anti-competitive measure," he told the meeting.

He said, however, that only the European Court of Justice could overrule decisions on competition policy, and that would require an appeal by a member state or an interested party. This was unlikely given the process.

Sir Gordon also warned advisers to company mergers against trying to "bounce" the OFT into giving approval in advance to proposals which could be referred to the Monopolies and Mergers Commission. He said that the voluntary pre-notification procedure for UK clearance of straightforward mergers had been welcomed.

Democrat elder statesman faces a grilling

MR Clark Clifford, the former US secretary of defence, has denied that he knew First American Bancshares, the Washington-based bank, was controlled secretly by the Bank of Credit and Commerce International (BCCI).

Mr Clifford, who resigned last month as chairman of First American, has issued the denial on Page 268 of his recently published 700-page memoir.

BCCI's control of First American, which was revealed by the Federal Reserve in July, has dented the image of the 85-year-old Democratic fixer, elder statesman and king-maker. But his situation has been complicated by the fact that for several years he served not only as First American chairman, but also as a lawyer and lobbyist for BCCI. In his memoir he calls the scandal "an unfortunate controversy".

Clark Clifford: the BCCI scandal was "an unfortunate controversy"

This morning Mr Clifford – who is being investigated by US prosecutors to see if he misled bank regulators about the actual ownership of First American – will have to do more than dismiss the scandal as "unfortunate". He and Mr Robert Altman, his one-time protegé who resigned as president of First American last month, will face a Congressional grilling before the House banking committee, which is probing the BCCI affair.

The appearance of Messrs Clifford and Altman, who made millions of dollars in the 1980s by borrowing from BCCI to buy and sell shares in the holding company that owned First American, kicks off what promises to be an autumn filled with BCCI hearings in the House and Senate, more indictments from grand juries in four US cities and revelations about the involvement of BCCI in arms and drug deals.

The BCCI affair reached a fever pitch in Washington in August, just weeks after the bank was shut by the Bank of England and authorities in six other countries, and days after Mr Robert Morgenthau, the Manhattan district attorney, brought the first fraud charges against Mr Agha Hassan Abedi and Mr Swaleh Naqvi, BCCI's founder and former chief executive respectively.

Mr Naqvi was indicted again last week, this time by a Florida grand jury on charges of racketeering and the laundering of drug profits from the Medellín cocaine cartel in Colombia. And in a move that has perplexed BCCI investigators all over the world, the government of Abu Dhabi this week arrested more than 30 former top executives, including Mr Naqvi.

The arrests are curious because Sheikh Zayed bin Sultan al-Nahyan, the ruler of Abu Dhabi, who along with other institutions owns 77.4 per cent of BCCI, has protested against the bank's seizure.

The newest US indictments were proclaimed with much fanfare last week by the Department of Justice, which has been stung by criticism that for years it had failed to act on a series of explicit warnings from US investigators and bank insiders of criminal wrong-doing.

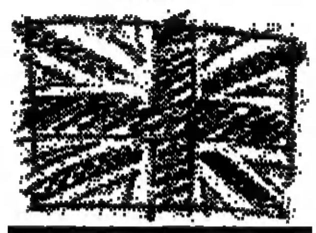
Senator John Kerry, the Massachusetts Democrat whose Senate foreign relation sub-committee has led Congress into the BCCI affair, is also planning new hearings within the next four weeks.

These will provide Messrs Clifford and Altman with a second opportunity to make their representations, but they are also expected to bring auditors from Price Waterhouse before Congress for the first time.

The Kerry investigation is also looking at arms and drug deals involving South American central bank officials and heads of government and at the involvement of the Central Intelligence Agency (CIA) with BCCI.

Alan Friedman

BRITAIN IN BRIEF



Union loses vote over Nissan deal

Workers at a subsidiary of Nissan Motor Manufacturing UK, the British division of the Japanese car maker, have voted against the AEU engineering union being given a recognition deal.

Nissan Yamato, a pressings manufacturer in which Nissan Motor has a majority stake, told the AEU it would negotiate a single union agreement with it if a majority of its non-managerial employees were in favour. The vote is a setback for the union which already has an agreement with Nissan Motor to represent some of its workers.

Call for review of security

Unionist politicians have demanded a thorough review of security at Short Brothers, the Belfast aircraft and missiles manufacturer, after the seventh IRA bomb attack on the company in two years.

An explosion, followed by a fire, caused extensive damage to an administration block at the company's east Belfast factory, but a warning had been given and hundreds of employees safely evacuated.

Gas consumers may pay more

Gas consumers may pay an extra £1.50 a year from April, to help improve poorly insulated homes, according to Ofgas, the gas industry's watchdog. Mr James McKinnon, the agency's director general, said that up to £50m could be raised annually.

Vauxhall raises car prices

Vauxhall, the second-placed car maker in the UK new car market, has raised the prices of a substantial part of its range by an average of 2.5 per cent. The increases follow the move taken late last week by Ford, the UK new car market leader, which raised the prices of much of its range by an average of 3.9 per cent. Vauxhall has already raised its prices once this year by an average of 3.6 per cent in January.

Power groups combine forces

Three regional electricity companies have joined forces with Combined Power Systems (CPS), the energy systems manufacturer, to market discount electricity.

London Electricity, Northern Electric, and Norweb, have each formed 50-50 joint ventures with CPS to sell combined heat and power units, which generate electricity and heat from a single source on a customer's site, and at a much higher efficiency rate than a conventional system.

N Ireland in jobs boost

Hyster, US fork-lift truck manufacturer, is creating 340 new jobs in Northern Ireland in a £31m investment programme supported by the province's Industrial Development Board.

Plans for port is unveiled

National Power, the electricity generator, unveiled plans to build a new 5m tonne port facility at Bristol by 1993. This will give the company the option of importing more cheaper coal when its long-standing contracts with British Coal expire at the end of March 1993.

Teachers work longer hours

Teachers are working longer hours but spending less time in the classroom, according to a union survey. Teachers are working almost 52 hours a week on average - 39 minutes more a week than in a similar survey in 1990. However, while teachers are working longer, the time spent teaching has fallen by over an hour a week.

Office fringe benefits cut

Fringe benefits for office workers have been reduced over the past three years as employers have found competition for staff has declined, according to the latest survey of over 500 organisations.

In 1988, 86 per cent of companies offered their office workers life or accident insurance; this has now dropped to 75 per cent. Medical insurance schemes have dropped slightly from 64 per cent to 62 per cent, and discount buying facilities are now offered by 36 per cent of companies, compared with 48 per cent in 1988.

Recession hits hotel industry

The UK hotel industry is unlikely to recover from the impact of the Gulf war and recession until 1993 at the earliest, a survey has found. Hotel consultants Horwath Consulting, part of the Stoy Hayward accountancy group, say that the severity of the recession in the US and other countries meant that rapid recovery after the Gulf war "could never seriously have been expected".

College gets funding

A new type of university college is to be built in north-east England on Teesside, the largest conurbation in Britain without a university. Its buildings will be financed by the government's Teesside Development Corporation and run jointly by Durham University and Teesside Polytechnic. The government has approved £8.4m funding of the first stage of the university college.

UK monarch to visit assembly

Queen Elizabeth will visit the European Parliament in Strasbourg next year. She will address the assembly and will visit the Council of Europe, which is also based in Strasbourg. It will be the first visit by an EC monarch to the parliament.

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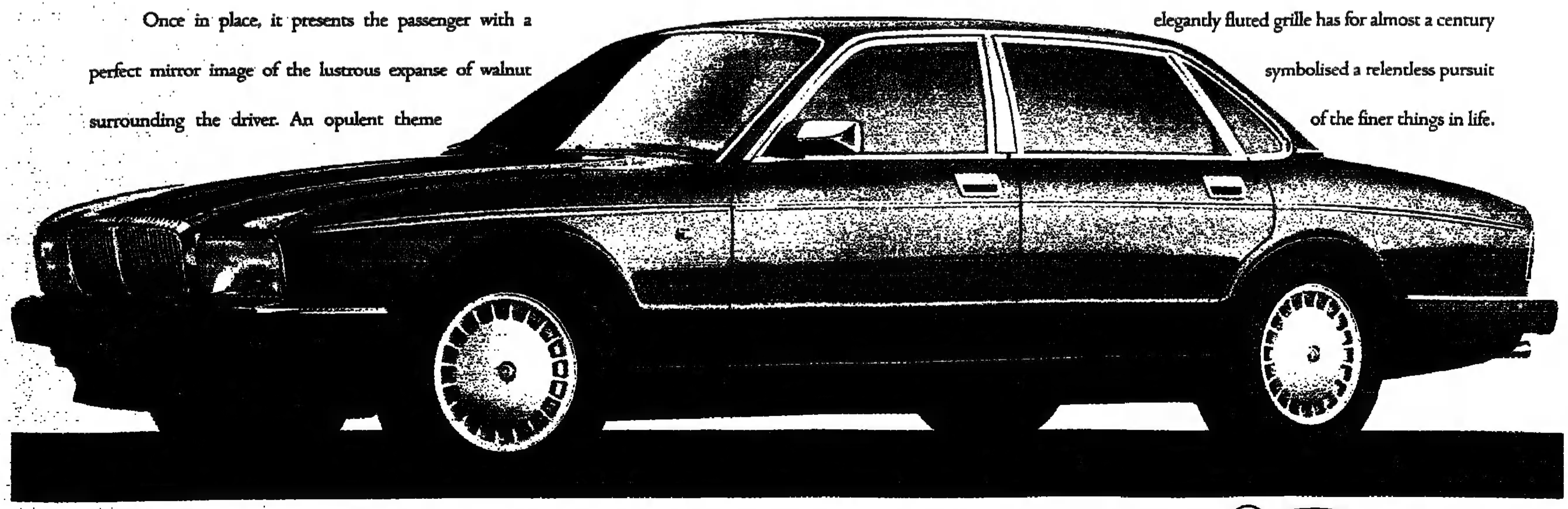

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UK NEWS

Labour issues warning on consumer boom

By Ivo Dawnay, Political Correspondent

BRITAIN'S opposition Labour party yesterday signalled a significant tactical shift in its attacks on Tory economic policies by warning that Britain now faces a return to a short-lived boom fuelled by consumer-credit, set to be followed by a new downturn.

The warnings, the first tacit acceptance by the main opposition party that recovery may be underway, came as the Liberal Democrats also opened their own onslaught on government "short-termism" at their annual conference.

Evidence of the impact of improving economic indicators on the pre-election manoeuvring came in speeches by Mr Neil Kinnock, the Labour leader, and Mrs Margaret Beckett, the treasury spokesman. Both avoided challenging government claims that a recovery was in sight, preferring instead to predict a rapid return to the "boom-and-bust" cycle.

In Bournemouth the Liberal Democrats' conference approved a package of radical measures in what amounts to the party's first comprehensive economic policy.

Refusing to comment on his likely tactics in the event of a hung parliament, Mr Paddy Ashdown, the party leader, instead tried to shift the spotlight to the package which he claims represents a significant advance in the party's economic credibility.

Among the measures are efforts to limit politicians' involvement in economic decisions through decentralised pay bargaining and an independent central bank, a tough competition policy, the setting of a national savings target and swift movement towards a single European currency.

Mr Alan Beith, the party's Treasury spokesman, told representatives that under the Tories the economic debate had been reduced to a single question: "When will it end?" and described Mr Norman Lamont, the chancellor of the exchequer, as being in "waiting-for-Father-Christmas mode". Labour's conversion to free enterprise was "dictated by events rather than beliefs," he said.

In an effort to head-off Liberal incursions into the Tory vote, Mr Chris Patten, the Conservative party chairman, used a speech in Southampton to accuse the party of being ready to barter their votes "in return for a few crumbs from Labour's cabinet table".

"Voting Liberal Democrat could once again, as in 1974, let Labour in by the back door," he warned, adding that the party would bring in a range of new taxes and end the capping of local government spending.

Liberal Democrats urge aid package for Soviet Union

THE Liberal Democrats yesterday urged the government to give the Soviet Union massive food aid and technical assistance.

Lord Bonham-Carter, the party's foreign affairs spokesman in the House of Lords, condemned government insistence that economic aid would only follow economic reform, and said such reform could only be introduced if it was backed by aid.

In a short debate which emphasised human rights in the Soviet Union, Mr Menzies Campbell, the party's defence spokesman, told the annual conference in Bournemouth that those trying to fill the void left by the dissolution of the Communist party were facing severe problems with a rudimentary infrastructure and a damaged environment.

Spelling out the opportunities for democratisation and nuclear disarmament which the failure of the coup had brought, he urged western Europe to help to bring stability to the republics.

"We once used an air lift to ensure the continued existence of Berlin against the Soviet threat. Now we need a massive air lift to secure the existence of the people of the Soviet Union."

Police braced for further violence on estate

By Chris Tighe and Ralph Atkins

RIOTING on an estate in North Shields, north-east England, early yesterday erupted spontaneously and was controlled by the police with minimum injury, Mr John Major, the prime minister, was told last night.

However, the police were bracing themselves for further violence amid rumours that public buildings and shops would be targeted by rioters. Eight people had earlier been arrested following the disturbances on the Meadow Well estate.

The scenes of mayhem, which the Home Office believe were not pre-planned, followed rioting in the past two weeks in three other cities, Cardiff, Oxford and Birmingham, adding to a picture that has become reminiscent of riots in the summer of 1981.

Mr Major, however, said the latest riots, "all seem to have a different genesis and one often gets this copy cat effect. . . It is just not an acceptable way for people to behave."

On Monday night about 200 police, including members of the Special Patrol Group, struggled to bring the riot under control. Many local people claimed the police had kept away from the area for five hours while the riot was in progress - an allegation denied by police.

The sister-in-law of one Asian shopkeeper said she was told, "we can't do anything" when she repeatedly rang the police in response to a call for help from her terrified relatives.

Mr Doug Henderson, a local Labour party MP, said the rioting in North Shields showed, "law and order has broken down and that crime is out of control in many parts of the region". This week Northumbria reported crime levels among the highest in Britain.

Mr Roy Hattersley, opposition spokesman on home affairs, said the public had to be defended, but believed that, at least in part, "these outrages were a product of the despair that comes from unemployment".

The government backed the action taken by Sir Stanley Bailey, chief constable of Northumbria, who was praised by officials for his commitment to community policing.

Sir Stanley said the police had deliberately avoided injury to police or civilians. "I would much rather we kept the iron fist inside the velvet glove," he said.

Community policing was not easy, he acknowledged. "It's very difficult on some estates where people feel bottom of the pile."

Anger erupts in desolate northern suburb

Chris Tighe on the background to riots which wrecked property on a housing estate

BY burned out shops a knot of indignant teenagers, one cradling a baby in her arms, assess the riot which the night before devastated some of the meagre amenities available to residents on the Meadow Well estate, in North Shields, north east England.

The teenagers insist that the cause of the uproar, in which 300 youths armed with petrol bombs rampaged for five hours, lies in a car crash last Friday night in which a local 17-year-old and his 21-year-old friend died following a police chase.

From the Meadow Well estate many aspects of life look different.

A few miles along the River Tyne, at the glitzy MetroCentre shopping arcade, the tills are ringing, but many Meadow Well residents have never been there. Throughout the region, in new Japanese factories and the surviving heavy industry, investment in skills and new technology is the key to success.

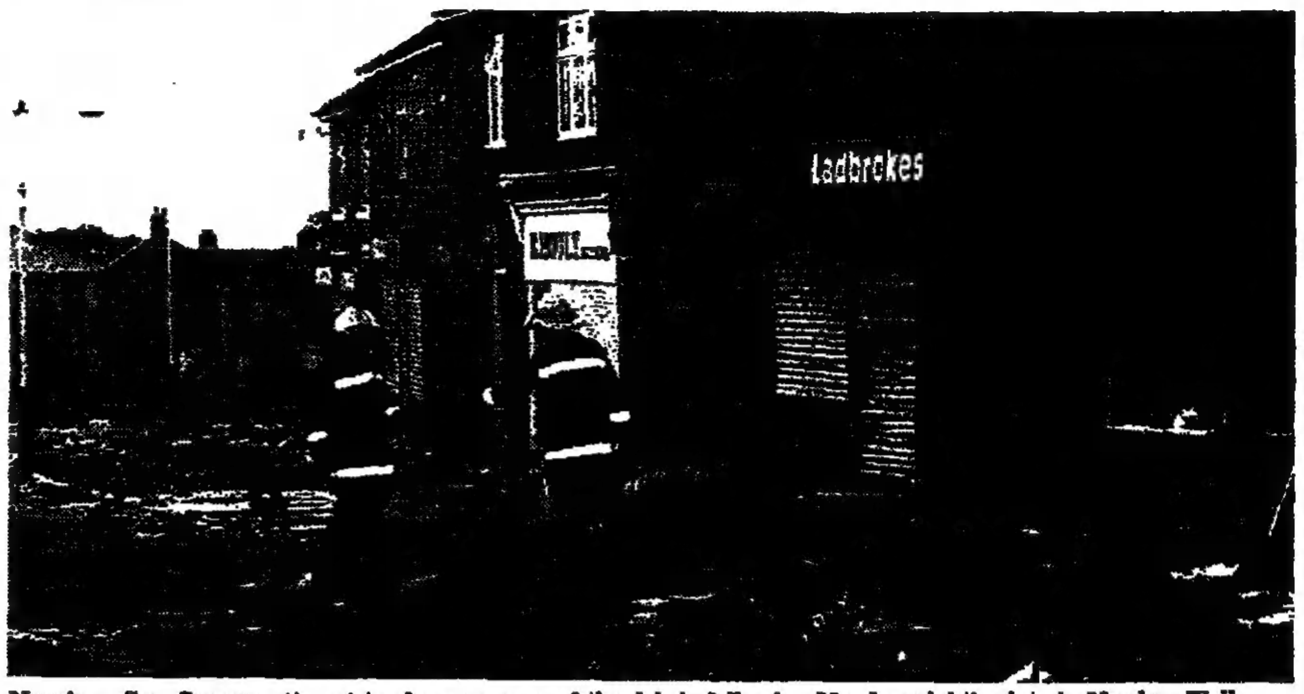
The labourers which Meadow Well used to provide are no longer needed. In parts of North Tyneside, only a handful of schoolchildren qualify for clothing grants: at the Meadow Well primary school it's 100 per cent.

Among the Meadow Well's 5,000 residents there remain people such as local credit union founder Mrs Margaret Nolan, struggling against great odds to bring some hope to the area.

She refused yesterday, as she clutched the keys to the Community Rights Centre, to be down-hearted.

"What happened last night was wrong but it can't be put right just by blaming the people here," she says.

But many people on Tyne and Wear, exasperated by the county's horrendous and escalating rate of car crime, are happy to dismiss the entire population of estates like the Meadow Well as scum. It is just one of a number of estates in the north east of England beached by economic and social change, whose notoriety guarantees their isolation.



Morning after: firemen attempt to clear up some of the debris following Monday night's riots in Meadow Well

Property upgraded during the past 20 years using investment worth £18m was promptly wrecked by vandals.

Government hopes of upgrading council estates through pride in home ownership look unlikely: fewer than 10 of the 1,770 dwellings have been sold, and 27 per cent are empty and boarded against wreckers.

Nearly a quarter of all the children on North Tyneside's 'At risk' register live here, and recently social workers have increasingly had to deal with terrified people reporting death threats from neighbours.

Estimates of unemployment on the estate vary between 30 per cent and 82 per cent and many young people, the product of homes where nobody has worked for years, have no expectation of ever being in work.

In an attempt to change this, and to defuse criticism that it is providing jobs and homes for the middle classes, not deprived areas, the Tyne and Wear Development Corporation is starting pre-recruitment training courses in problem estates, including Meadow Well.

But the business people in the front line are the small shopkeepers, trying to make a living on a poverty-line estate.

The worst affected are the Asian shopkeepers who sell tobacco and alcohol. One family, who live above their shop, had to take refuge in a nearby house as gangs looted and burned their premises.

Some premises survived the riot – for now. But the air of hopelessness hangs heavy.

Parties seek US advice on how to win votes

By David Owen

BRITISH opposition parties have followed the Conservatives' in seeking advice from US political and communications consultants in the run-up to the general election.

All three leading political parties have established contacts with transatlantic companies offering advice on how to win votes.

Labour's contact with the US companies is Mr Philip Gould, a central figure in the party's Shadow Communications Agency (SCA). Those in touch with Mr Gould have included:

- Mellman & Lazarus, a Washington-based political strategist, which has worked for Mr Boris Yeltsin, president of the Russian republic, and Mr Cesar Gaviria, president of Colombia.
- Sally Hunter Productions, a New York-based group which advised on Labour's 1987 party political broadcast.
- Napolitan & Associates, a New York political strategist which has done work for British trade unions.
- Doak Shrum Associates, one of the most experienced companies of consultants to the US Democrats.

These contacts have been made despite an ambivalent attitude within the party towards accepting US advice directly.

Mr Colin Byrne, a Labour party spokesman, said: "Labour has never consulted American consultants. It is right that Philip (Gould) should acquaint himself with what is happening in America because the Tories are arming themselves with their techniques."

The Liberal Democrats are using Ridder Braden, a Colorado-based company whose clients have included Senators Albert Gore and Gary Hart.

The company has conducted polls and written a book about telephone campaigning for the party.

Finally, the Conservative party still has ties, begun in 1968, with The Wirthlin Group. The Wirthlin Group is best known for its work for Mr Ronald Reagan, the former US president, and other leading Republicans.

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*Source: EBRS 1989

MANAGEMENT

Paying the price of past excesses

Patrick Harverson reports that the US securities industry is reining in salaries and bonuses

A 26-year-old Wall Street trader who earned more than *$2m last year is suing* his former employers for not paying him enough. At the same time, the $23m paid to a trader at a rival securities firm continues to embarrass his employers, long after the pay*ment was first uncovered by* the press.

The two huge pay cheques were both awarded at the end of a year which was, by most measures, the worst ever for the US securities industry. In *1990 the seven largest broking* houses recorded pre-tax losses totalling $678m, management heads rolled and thousands of employees were made redundant.

At first glance it might look as if little has changed on Wall Street since the boom years of the 1980s, when management handed out extravagant rewards like confetti at a Broadway parade. Yet the lawsuit over the unpaid millions and the blushes caused by the $23m payout are evidence of change, not inertia.

At the height of the bull market in the 1980s the lawsuit would have been unlikely because the 26-year-old trader would have earned considera*bly more than $2m*, and the securities firm that handed over $23m would not have blushed quite so red at the size of the payment because few would have regarded it as excessive.

Today, the climate has changed. Senior managers at Wall Street firms have learned their lesson from the 1980s, when pay and compensation ate up vast amounts of revenues. According to Sibson, *a US human resources manage*ment consultancy, between 1985 and 1990 compensation and related expenses accounted for as much as 80 to 85 per cent of distributable pre-tax earnings at the big securities houses.

That might have been acceptable when markets, and profits, were booming. But since the slump in margins and earnings began in 1990, firms have woken up to the need to rein in compensation costs.

The result has been that management is taking a tougher line, especially on the issue of bonuses, which to Wall Street executives have always been the main course after the salary appetiser. Not only are *bonuses now smaller, they are* being shared and paid out differently.

Most important of all, management has learnt that compensation costs cannot be brought under control until an *organised system for allocating* bonuses is introduced to the decision-making process. Vincent Perro, principal with Sibson, says: "Most firms didn't have, until recently, a disciplined approach to making decisions about bonuses based on contributions."

One new approach on Wall Street, says Perro, is to treat bonuses as capital investments, subject to the same kind of rules and scrutiny applied to capital equipment. This means regularly reviewing the return a firm gets from each employee, and then deciding if the return is reasonable relative to what the employee is paid.

Introducing performance assessment is not easy. Judging a trader by his profit and loss account is relatively straightforward, but how do you judge the returns brought in by an investment banker? Not all investment bankers are *responsible for initiating* and completing a deal. Whole teams will work on deals, with everyone making different contributions.

In the past, the solution was to pay everyone involved a *similar share*, which meant that those who processed investment banking deals were paid almost as much as those who originated them.

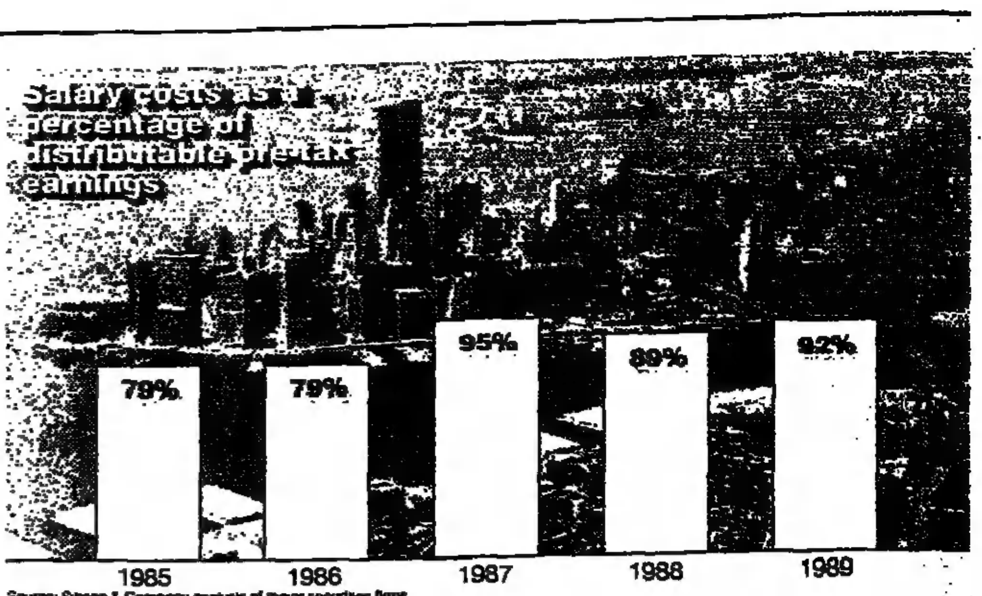
This practice is now changing, with awards more strictly tailored to revenue production. The "rainmakers" - those who originate deals - still make the big money, but the rest are having to make do with a smaller share of team and departmental bonuses.

This process of sorting out the real revenue earners and paying them a lot more than the rest can create tensions within a firm. Wall Street egos have always been big, primarily because the old system of sharing bonuses enabled everyone to feel like a "Master of the *Universe*".

Pooled bonuses have not been phased out, but managers have become more careful *about who gets what*, and the size of pools have shrunk under the pressure of slimmer profit margins. Sibson estimates that in 1990, Wall Street bonus pools were cut by 20 to 30 per cent. The decline in *bonus earnings per head* was smaller because redundancies reduced the number of people sharing the cake, but even then per capita bonuses dropped by an estimated 10 to 20 per cent.

Those who were lucky enough to get a bonus last year (in some firms they were frozen), did not always get their hands on it straight away. Firms have been increasingly paying bonuses in the form of stock or stock options (this has the dual effect of postponing payment and binding employees closer to the company), while some have deferred cash payments until a later date.

Implementing change would have been easier this year if the first six months had not proved so enriching for the securities industry. The near-*record profits earned on Wall* Street since January have raised expectations of handsome bonuses among many dealers, salesmen, and investment bankers (at least those involved in the booming business of stock and bond underwriting, rather than the still-stagnant mergers and acquisitions).



Source: Sibson & Company analysis of major securities firms

Yet employers have had to warn staff not to expect big bonuses. As Joan Zimmerman of GZ Stephens, a New York executive recruiting firm, explains: "Companies are trying to prepare staff for a differ*ent attitude to compensation.*"

This new attitude, says Zimmerman, could lead to clashes over pay. "Senior management is cautious [about bonuses], but investment bankers, traders and salespeople are already looking at this year's record profits and trying to calculate their portion of the fees."

Change is not just limited to *the million-dollar earners*. Pay levels are also being altered at the entry level. During the boom years graduates joining Wall Street (especially those from Ivy League universities like Harvard and Yale) could expect a healthy starting salary of somewhere around $50,000 a year, plus a guaranteed bonus, often paid up-front as a *signing-on fee*. Within a year or so the smart graduate could look forward to a package running into hundreds of thousands of dollars.

Not so today. Starting salaries are modest by the old *standards* (no more, it seems, than $60,000), and bonuses are not paid until they are earned. What securities houses are doing is reviving something that seemed to have died out a long time ago on Wall Street: the apprenticeship.

Czechs remove the stigma from planning

Andrew Jack reports on the difficulties of translating a British business course into an east European culture

Ask Jan Morovic a straight question and you get a precision-tooled answer. When did the groundwork begin for his *ambitious plan to spread manage*ment teaching across Czechoslovakia? "April 26 1990."

When was his first meeting with a consultant from the Open University Business School, whose material he is using? "One month later. *It was raining – and you were 1¼* hours late," he says, with a mischievous glance towards Brian Lund, the man in question.

It is the sort of attention to detail required from someone who has developed an idea for management training, chosen a model, identified curricula materials, translated and partially rewritten them, trained tutors and recruited his first class of students, all in 16 months.

Morovic, a senator in the Czechoslovak federal assembly, founded the City University of Bratislava in June 1990 with the aim of teaching practical management skills for the *market economy* by *"distance learning"*. His institution will be officially opened on September 18.

The strategy relies heavily on the pattern adopted by the Open Business School, a faculty within the Open University in the UK. Students learn at home or workplace using audio and videotapes and workbooks, supported by tutors.

This approach, without the need *for heavy central overheads like* full-time teaching staff, has allowed the Open Business School to grow rapidly since it was established in 1983. It currently has 22,000 students enrolled on its management courses, and over 3,000 on the MBA programme alone – more than one third of all British MBA students.

Enrolment spread within three years to Belgium, initially for British people working in the European Community, and then for other nationals. It has since opened centres in France, Spain, Germany, Switzerland and Eire, and plans to expand into Italy and perhaps Greece and Denmark next year. Its courses have been marketed under licence to the Budapest Open Management School in Hungary. Now Brian Lund, a consultant with the Open Business School, has helped to develop a partnership with the City University in Bratislava to use the British course materials.

City University has spent about £300,000 so far developing the *courses, paid for through contribu*tions to an endowment fund from businesses and city and state funding. It has also received £10,000 from a British Foreign Office fund supporting the restructuring of eastern Europe, and is optimistic of receiving a further £90,000.

Each new student will pay £200, compared with £825 for those who take the courses in the UK. The Open Business School has negotiated a royalty fee of £50 for each student enrolled, but is considering reducing the fee.

Teaching management skills will not be easy. It requires the develop*ment of a new vocabulary. The con*cept of a "manager", for example, has not previously existed in Czechoslovakia, says Morovic. The nearest equivalent was a "controller", whose responsibility it was to ensure that a state plan was met. "These people had no free space for decisions, but simply fulfilled the plan," he says.

Other new entries to be intro*duced into the glossary of business* jargon include mission statements, targets, efficiency, effectiveness and even decision taking, he says.

Some managerial ideas have existed in the past, but have been interpreted in different ways. The word "plan", for example, is now heavily stigmatised. Discussing the idea of a strategic business plan sends shivers down the spine of many new entrepreneurs, who associate it with the government plans of the past.

Personnel skills will also present challenges. The concept of managing people in order to bring about *implementation rather than simply* declare objectives is novel, according to Morovic. So is the idea of career development, which was previously considered both impractical and selfish.

At the same time, there is an urgent need for training in such areas as financial analysis. Enterprises must learn how to establish their own pricing structures where *previously the state determined* centrally what could be charged.

The pace and scale of Morovic's approach is extremely ambitious. He recruited 41 English-speaking candidates last autumn, and enrolled them on the basic Open *Business School course*, "The Effective Manager" in October 1990.

They are now helping translate this first module into Slovak, and will begin offering teaching support for it next month. Morovic stresses the importance of scrupulous translation in that it should reflect the spirit of the words. Some examples and illustrations may also be *redrafted to make them more* relevant to Czechoslovakia.

Of the 36 who completed the course and passed in May, 33 are now studying a second module in English, "Accounting and PC for managers". The hope is to translate this course into both Czech and Slovak, along with two others, "Managing Health Services" and "Managing Customer and Client Relations", *for the next academic year.*

"It was very important for us to choose teachers who want to learn a new culture of management, to support the transformation of the whole culture of management," says Morovic. "We picked some young people who can adopt and adapt these new concepts." Teaching staff from existing schools with more traditional methods and understanding of business were not selected.

Morovic says his initial target audience includes small entrepreneurs, staff of central and state government bodies and finance and insurance companies. More than 220 students have already enrolled, including recent college graduates and whole boards of senior executives in enterprises. They will spend several weeks learning how to study before starting work on the formal course in November.

Jan Morovic: attention to detail

Morovic's vision may, as he describes it, "snowball" management training, spreading it rapidly across the country. "The only way central Europe can move is at speed," he says. "But I am concerned about quality. That is why the initial period of the course is very important." It can only be hoped that the snowball does not melt in the haste to put training in place.

BUSINESS AND THE ENVIRONMENT

Bernard Simon on plans to build a hydro-electric grid in northern Quebec's sub-arctic wilderness

The floodgates are open

Measured by the usual standards, Hydro-Quebec should be a darling of the environmental lobby. North America's third biggest power utility generates 95 per cent of its capacity from *hydro-electric dams on* Quebec's fast-flowing rivers, thus providing an abundant, cheap, clean and renewable form of energy.

Far from winning praise, however, the Montreal-based *utility has found itself on the* defensive over its plans to create a huge hydro-electric grid in the sub-arctic wildnerness of northern Quebec.

The advantages of hydro-electric power have been over*shadowed by fears that vast* new reservoirs, diverted rivers and an influx of European workers and tourists will cause irreparable harm to remote Cree Indian and Inuit (Eskimo) communities on the desolate shores of Hudson Bay.

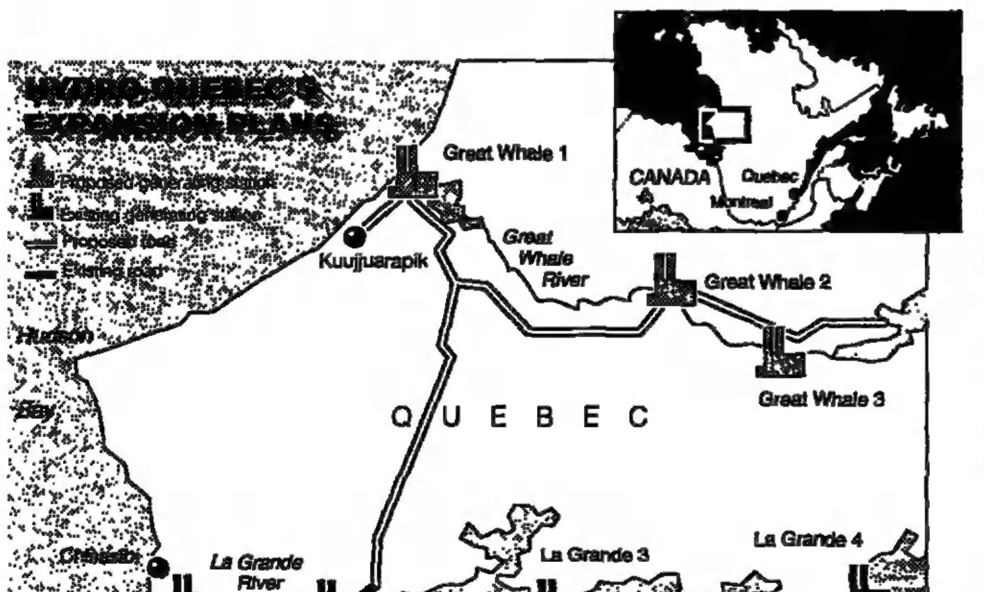
The natives have been joined by a plethora of environmental, religious and labour groups in the north-east US, where Hydro-Quebec is selling a growing proportion of its power output. These groups contend that states such as New York and Vermont, which have signed *tentative* contracts with Hydro-Quebec, would be better off concentrating on energy conservation or supporting *local* power companies, than supporting Quebec's economy with imported energy.

Hydro-Quebec's *opponents* chalked up a victory in August when the New York Power Authority and Hydro-Quebec agreed to extend by one year, to November 1992, the deadline for either party to withdraw from a 1,000-megawatt contract due to begin in 1995.

The official reason for the delay is that the recession has eaten into electricity demand, so that the Quebec power will not now be needed as soon as expected. But the extension will inevitably force a closer examination of the ecological impact of the next phase of the development, centred on the Great Whale River.

Hydro-Quebec began harnessing the rivers of northern Quebec in the early 1970s with the construction of the first phase of the La Grande complex around the eastern shore of James Bay (the "toe" at the southern tip of Hudson Bay).

Three generating stations have been built on the La Grande River, producing a total of 10,300MW of electricity. Even this first phase includes some of the world's biggest hydro-electric facilities. The underground machine hall at



the La Grande 2 generating station, which houses 16 turbines, is almost half a kilometre long and 47 metres high. The wall of the LG2 reservoir is 2.8km long.

Hydro-Quebec is now in the *midst of an expansion* on the La Grande and surrounding rivers, which will add another six generating stations and 5,100MW. When this phase is completed, the waters of the La Grande river will produce elec*tricity at seven different sites* over a distance of 800km.

The C$12bn (£6.1bn) Great Whale project, about 200km north of La Grande, is the next stage of the northern Quebec grid, which could eventually supply a quarter of all North America's hydro-electric power. Located just below the treeline, Great Whale is 1,200km north of Montreal.

Five Cree and Inuit settlements on the coast of Hudson Bay near the Great Whale estuary are accessible only by boat or plane, and winter temperatures average a numbing minus 23 deg C. Although the 4,000 residents now enjoy modern conveniences such as televisions and all-terrain vehicles, many still rely on trapping and fishing for their livelihood.

Hydro-Quebec intends to build three generating stations on Great Whale with a combined capacity of 3,168MW. To provide a strong flow of water to drive 11 turbines, the utility will need to build four dams and divert four rivers.

The dams will flood 3,400 sq km of land. Roads will be built for the first time, opening the area not only to thousands of construction and operations staff but also tourists and outside hunters. The flow of some rivers will increase; in others, it will drop. The volume of fresh water flowing into salt*water Hudson Bay will* increase. The warmer fresh water will inevitably change winter ice formations.

Matthew Mukash, community liaison officer for the Grand Council of the Cree in Great Whale, says the natives' main concern is the higher mercury content of the river caused by construction of the reservoirs. This will severely disrupt fishing in the area, and may also contaminate bears and birds which feed off the fish, he predicts.

The natives have a host of other concerns, ranging from the disruption of traplines to the danger of fatal accidents on the newly-built roads. To support their case, they point to *the experience over the past 15* years at the La Grande project. High mercury levels, which were not foreseen when construction began, have led to a total ban on fishing in the La Grande reservoirs.

The Quebec government has handed out about 4,000 permits to non-native hunters in the La Grande area. *"They're killing* off the economic base for present and future generations," Mukash says.

But Hydro Quebec contends that many of the costs will be offset by benefits, such as jobs in the market economy, and spending by tourists. The utility is also confident that mercury levels in the dams and rivers will eventually subside, allowing fishing to resume within 20-30 years.

Whatever the rights and wrongs of each side's case, the *furore over Great Whale is for*cing a much closer assessment of its environmental impact than Hydro-Quebec's earlier projects.

The first phase of La Grande began in the 1970s without any *prior environmental impact* studies. Hydro-Quebec started monitoring the project's ecological impact soon after, but began only two to three years ago making its findings available to anyone other than a select group of scientists.

A review of the impact of roads and other infrastructure for Great Whale was published last December. A full study of the project itself is due to be released in November. To the annoyance of the Quebec authorities, the federal government in Ottawa has set up its own environmental review.

Hydro-Quebec employs 180 people in its environment division. In an effort to catch up in the battle for public sympathy in the US, it is translating more of its French-language *material* into English, and now regularly sends senior officials to take part in public hearings in the states where it hopes to sell electricity.

Under pressure from environmentalists, the utility also made a significant change a month ago to plans for Great Whale. Diversion plans for the adjacent Little Whale River has been altered to avoid slowing the flow of the ecologically sensitive Nastapoka River to the north. *Hydro-Quebec* estimates that this change will reduce the flow through the turbines by 43 cubic metres per second, costing it about C$600m in lost revenues over the 50-year life of the project.

The protestors, however, are far from satisfied. New York energy conservation groups say they will accept nothing *less than the cancellation of* the state's contract with Hydro-Quebec. The Cree and their supporters have launched a myriad of court cases aimed at stalling the project.

Barring a slump in demand for power, Hydro-Quebec is unlikely to back away from Great Whale. Robert Bourassa, *the provincial premier, has* made it clear that, as far as he is concerned, the extra jobs and export earnings which will accrue to the province as a whole outweigh the environmental concerns of a handful of remote native communities.

Aluminium gets top marks for publicity

Ken Gooding examines Greek recycling initiatives

Beaming, bright-eyed children are talking about *the environment. The* captivating moment is captured by cameras from three television channels.

The children explain how they collect and sell used aluminium cans, not only to reduce waste and litter but also for the money which buys extra equipment for their school.

The setting is the island of Skyros where the mayor is hosting celebrations to mark Greece's National Aluminium Recycling Day.

It is one more coup in the aluminium industry's campaign to promote the idea that it produces "green" or environmentally friendly packaging. In the propaganda war the aluminium companies are leaving the steel can makers, their main rivals in the fizzy drinks packaging business, well behind.

Later in the day the children play and distribute leaflets about aluminium can recycling as Skyros' mayor makes a speech and introduces 11 other people, mainly local politicians, who also want to have their say.

Like the 17 mayors from other municipalities who have travelled to the island, half an hour's flight north of Athens, the politicians have had to do their homework. By now they are fully aware of the benefits *claimed for aluminium cans*: that aluminium is particularly suitable for recycling because it can be melted down into new metal again and again without loss of quality; that up to 95 per cent of the energy used in *the production of primary alu*minium is saved during the remelting process because the original energy invested is preserved in the metal; and so on.

The idea of linking pictures of happy children with a product or campaign is not original. But the Aluminium Association of Greece also used its *national aluminium recycling* day for an innovation: it gathered top executives from the aluminium industry and senior members of the European Commission for a colloquium and exchange of ideas.

The industry put its point of view, the Brussels bureaucrats explained EC ideas about such *matters as recycling, packag*ing, waste management, education, energy and taxation – all topics in which the aluminium industry has a vested interest. The Greek Aluminium Association started its can recycling campaign as recently as 1986. In that year 22m cans were recycled. In 1990 the total was up to 110m. Today 24 municipalities in Greece and four communities are running aluminium recycling projects. The association also gained Ministry of Education approval to take the campaign into the *schools and now has* more than 400 elementary and high schools on its list. It provides information material and technical equipment and keeps in constant touch with teachers and parents' associations.

Europe's recycling rate lags that in China, Hong Kong and Korea, where 90 per cent of used beverage cans are collected and re-used

The Greek armed forces also have aluminium can recycling programmes. For example, special containers for collecting cans have been placed on all the Greek Navy's vessels and in Navy training camps.

The Greek *association* has been able to draw heavily on the experience of the Aluminium Can Recycling Association (Acra), set up to promote the concept throughout Europe by some of the world's biggest producers: Alcan of Canada, two US groups, Alcoa and Reynolds, Pechiney of France and VAW of Germany.

These producers are providing money not only to promote aluminium can recycling but also to help put the necessary collection infrastructure in place.

They have good commercial reasons for doing so. Not only does recycling cut their costs, Europe needs the metal. What used to be called western Europe consumed 4.6m tonnes of primary aluminium in vari*ous products last year while* production in the region provided only 3.6m tonnes.

Because it takes so much energy to produce primary aluminium, output of the metal in Europe is expected, at best, to stabilise and might even fall even though consumption is showing a healthy rate of growth. *The industry is put*ting its new production plants in areas outside Europe where energy is cheap. Already 61 per cent of the energy needed to make primary aluminium in the western world comes from hydro-electric power – which the industry constantly reminds customers is an inexhaustible and environmentally acceptable type of power.

Aluminium recycling is already well-established in Europe. About 80 per cent of aluminium used in building and more than 90 per cent used in transport *components* is recycled. By these standards the can business is not doing particularly well because the industry estimates that by the end of last year its recycling rate was running at about 20 per cent. However, this brought in 25,000 tonnes of used aluminium cans.

Europe's recycling rate lags that in China, where 90 per cent of used beverage cans are collected and re-used. Hong Kong and South Korea also achieve 90 per cent, and more than 60 per cent of aluminium cans are recycled in the US and Australia.

Europe is doing its best to catch up. Recycling rates are growing by 25 per cent a year and events like Greece's recycling day should increase public awareness. The industry is certain that by 1995 at least half of all aluminium cans sold in Europe will be recycled.

It also expects that the efforts to promote recycling will have another spin-off – aluminium's *share of* the beverage can market will increase even further and that Europe might even follow the US example. More than 95 per cent of the 90bn cans of beers and soft drinks sold in the US each year are made of aluminium – and that uses a lot of metal.

ARTS

TELEVISION

Night-time diet of US pop and corn

On a pillar like that of Simeon Stylites stands a statuesque blonde, dressed like Superwoman in the colours of the American flag: red and white headband and sequin-[redacted] bustier, blue stretch satin knickers, white knee pads and boxing boots. She is holding a large rubber shield. Thirty or 40 feet away stands another woman, done up like Tweedledum or an American footballer, with crash helmet, visor, and padded one-piece suit. She takes hold of a rope, swings through the air like Tarzan, and crashes into the blonde who staggers around her tiny platform but avoids falling. There is ecstatic applause from the studio audience.

To the left another pair of women go through the same performance, but in this case the stylite is knocked from her pillar to land on deep rubber cushions. The "event" has lasted about five seconds, though it took three or four minutes to set up, with explanations from *not one but* two presenters, and it is followed by long and earnest discussions between presenters and contestants about how things went. They could not be more serious, nor more detailed in their analysis, if this was a world chess championship or a Wimbledon final rather than a po-faced American version of *It's A Knockout*.

The scene is not familiar to you? You have never watched *American Gladiators*? What on earth do you get up to at two o'clock on a Saturday morning? Perhaps you live in one of the ITV areas where the *programme is not shown... or maybe* the early hours of the morning are [redacted] your favourite viewing time. For insomniacs and shift workers who do like to watch through the night, the material provided by British television proves [redacted] be [redacted] and wonderful – though only for [redacted] or so. After that it becomes intolerable, being aimed almost exclusively, it seems, [redacted] who are assumed to be either drunk or mentally deficient.

There are exceptions to this rule for [redacted] of [redacted] with satellite dishes. [redacted] any time [redacted] night [redacted] switch to Sky News and, within [redacted] short time, see [redacted] news bulletin with, between times, all sorts of features and reports including American news programmes from CBS. Furthermore Sky [redacted] the air last week until 3.00 am or so to bring [redacted] US Open Tennis Championship from Flushing Meadow, [redacted] lounge around in the middle of the night watching the terrifying Monica [redacted] Jennifer Capriati who proved [redacted] frightening [redacted] 15, two [redacted] younger than Seles, she came close to winning. Better still, we could watch Jimmy Connors, 39, like some old knight in the lists, needing to be winched into the saddle but then, with the euphoria of the crowd, losing his stiffness and finding that he could still do all his old tricks and [redacted] just [redacted] challenger in [redacted]. It made splen-[redacted] inspirational entertainment.

It was the exception, however, which highlights the rule, the rule appearing to be that late night television must be very cheap. What *that, in turn, means is that it is* more likely than not to be a programme offering [redacted] promotion to movies or, [redacted] all, [redacted]. Switch on at random any night of the [redacted] between midnight and, [redacted] five in the morning and you are more likely [redacted] find yourself watching [redacted] video – [redacted] Cher, M.C.Hammer, Madonna – than anything else. This is most likely of all for dish [redacted] two [redacted] the all-night satellite channels, MTV and Lifestyle, are [redacted] entirely to [redacted] videos.

Even if you stick [redacted] television, pop music is still a staple. [redacted] is [redacted] recorded in clubs and presented by [redacted] *middle aged man in a grey suit* teamed with [redacted] pert girl in [redacted] bathing [redacted] and little black [redacted]. In London it [redacted] ITV [redacted] 4.15 on Sunday mornings and this week, shortly after 5.00 [redacted] more [redacted] less, holding up a [redacted] in a [redacted] in Redruth while [redacted] boy/girl couples behind [redacted] competed [redacted] see which pair [redacted]. It probably [redacted] if [redacted] and [redacted] *Bhangra Beat*, shown by ITV [redacted] hours earlier, pursues racially separate development in pop music [redacted] Britain with the same [redacted] British broadcasters [redacted] always opposed apartheid in South [redacted].

Raw Power [redacted] on Saturday mornings brings you [redacted] hour [redacted] heavy [redacted] – well, [redacted] what [redacted] did, anyway, with painfully loud [redacted] from [redacted] death, Anthrax [redacted] – [redacted] 2.15 on Thursday mornings [redacted] again [redacted] Fridays you [redacted] Kasey [redacted] (who [redacted] Alan [redacted] look youthful) [redacted] enting *America's Top 10*. And that brings us [redacted] the second striking point about Britain's all-night television: [redacted] of it is American.

In many cases, of course, this is unremarkable. For decades we have [redacted] watching action drama from [redacted] US such as [redacted] vengeance series *The Equalizer* (currently [redacted] in London and [redacted] other ITV areas at one o'clock on Wednesday mornings), American comedies such as [redacted] (an unfunny [redacted] about an egocentric sports teacher showing at [redacted] on Sunday mornings) and [redacted] the 30-year-old John Wayne Western *The Com-[redacted]* which was seen on much of [redacted] ITV network between 12.15 and 2.15 am [redacted] Thursday.

But what [redacted] in Kentish Town supposed [redacted] make of [redacted] which habitually employs phrases such as "And now! [redacted] number one film in multiplexes and drive-ins [redacted] to coast"? From Blackpool [redacted] Scarborough? Hardly, because we [redacted] later – in the [redacted] called *CinemAttractions (thirtysomething* [redacted] lot to [redacted] for) – that [redacted] about to "count [redacted] Top [redacted] films [redacted] the popcorn pal-[redacted] America". [redacted] nothing [redacted] a sequence [redacted] plugs for [redacted] movies, and if the ITV [redacted] panies [redacted] not charging [redacted] makers [redacted] showing them they jolly well should be.

The [redacted] factor, however, [redacted] casual assumption by the broadcasters that British viewers can be put [redacted] a [redacted] of American culture without [redacted] explanations. In the 8¼ hours between nine o'clock in the evening this coming Friday and [redacted] next morning, [redacted] in London will show [redacted] 30-minute British news programme, a one-hour British rock programme, and eight American programmes lasting [redacted] hours. This will include, at [redacted] am, [redacted] *911*, [redacted] ambulance-chasing [redacted] which literally chases ambulances (and [redacted] engines and police cars) [redacted] order to peer at people as they are having heart attacks, [redacted] are trapped in fires. Last week [redacted] of the [redacted] we [redacted] all the [redacted] into the operating [redacted] died [redacted] the table.

Many readers will never have [redacted] programmes mentioned here, but it would be unwise [redacted] that they [redacted] be safely ignored and left [redacted] meander along [redacted] distant tributaries of [redacted] night, presenting *no* threat [redacted] the more demanding viewer of peak [redacted] schedules. Experience [redacted] the last [redacted] suggests that [redacted] to [redacted] up remote [redacted] today [redacted] well [redacted] diverted [redacted] the mainstream [redacted] – especially if it is cheap and the language used [redacted] English, [redacted] something proximate. The temptation [redacted] bringing in rubbish of this sort to the main [redacted] *Government's* [redacted] auctioning ITV franchises [redacted] begun to have [redacted] well [redacted] powerful for [redacted] broadcasters [redacted] resist.

[redacted] *ratings* [redacted] be achieved by *It's A* [redacted] the lure of Knock-The-Lady-Off-The-Pillar could prove irresistible in [redacted] post-auction world.

Christopher Dunkley

Suitable for short-term insomniacs: 'American Gladiators'

Alastair Muir

Britta Smith and Imelda Staunton

Bold Girls

HAMPSTEAD THEATRE

The word "bold" has two meanings, one each side of the Irish Sea. It is evident in its English sense in the decision to take a piece from a Scottish writer about women in Belfast. Rona Munro applies it in its Irish sense – bad, naughty, mischievous – *to a quartet of characters who*, but for the distant thud of gunfire and the talk of their menfolk in the Kesh, could (accents aside) be from practically any small Celtic town.

To a stage awash with dramatisations of "the troubles", Munro brings a portrayal of Northern Ireland that is radical in its denial of any political perspective. We know that [redacted] women [redacted] *Republican connections because of* what has happened to their husbands, sons and brothers, but their physical embattlement merely serves as a catalyst and focus for their emotional muddle.

Even a feminist solidarity is denied them. The real trouble, Monro appears to be saying, is that this is a society of women unable to cope with men. She illustrates her point with a mother, a wife and a daughter, each [redacted] whom clings [redacted] her worthless idol: Nora (Britta Smith) [redacted] the doting mother of [redacted] jailed son to whom she sends exotic baskets of fruit in lieu of the tradi-[redacted] fry-up; her daughter, [redacted] (Imelda Staunton, on scorching form) is disgusted by her husband but worships [redacted] memory [redacted] her dead, wife-beating father; while [redacted] madonna-like [redacted] (Orla Charlton) keeps desperate faith with a husband who was inevitably [redacted] hopeless philanderer.

[redacted] humdrum [redacted] brought into [redacted] open by [redacted] *arrival of* [redacted] *mysterious, thieving* waif in white who, by some mysterious compulsion, arrives [redacted] and [redacted] welcomed [redacted] parlour [redacted] she proceeds – with moon-faced truculence – [redacted]-deceptions.

Munro's writing is at [redacted] with the oblique conversa-[redacted] characters: over [redacted] episode of [redacted] on television, Nora [redacted] Cassie speculate [redacted] motives [redacted] the bedraggled young infiltrator (Catherine Cusack); [redacted] a name-the-price auction [redacted] a [redacted] disco, they squabble about Cassie's morals, while [redacted] boldly winning herself [redacted] Magimix food processor.

The point that this is an ordinary group [redacted] women [redacted] echoed on every level [redacted] production: through John Dove's direction, Robert Jones' immaculately dowdy set, and [redacted] unstintingly honest performances which [redacted] one extraordinary [redacted] evening – Imelda Staunton's explosive portrayal [redacted] *woman* [redacted] of [redacted] communal tether. Cassie is [redacted] bold girl, in both its English and Irish construction. But the imaginative [redacted] adopted [redacted] are finally such that, even as she appears to be breaking free, one [redacted] has no hope of [redacted].

Claire Armitstead

Dresden Staatskapelle

ROYAL ALBERT HALL/RADIO 3

The [redacted] foreign orchestras always tend [redacted] congregate [redacted]. This year [redacted] fortnight has brought three [redacted] visitors: [redacted] disappointing [redacted] Paris, [redacted] Symphony Orchestra and, [redacted] *first ever appearance* [redacted] *the Proms*, the Dresden Staatskapelle, which gave [redacted] appreciable concerts.

This [redacted] most cultured orchestra. There [redacted] nothing showy or glossy about it, certainly not as far as its rasping [redacted] is concerned; [redacted] sound acquires [redacted] beauty [redacted] its own from [redacted] sense [redacted] proportion [redacted] informs [redacted] playing. There is an [redacted] sense of [redacted] to [redacted] and weight [redacted] phrase [redacted] distinguishes an orchestra [redacted] the noble tradition of the Dresden [redacted]pelle.

It is easy to see why its players [redacted] want to work [redacted] the serene and [redacted] conductor [redacted] Colin Davis [redacted] become. (Earlier [redacted] year Davis [redacted] awarded the title of Honorary Conductor in Dresden.) For there [redacted] acceptance of the orchestra's *accumulated wisdom in* [redacted] *deep*, unhurried music-making [redacted] he [redacted] enjoys.

Sunday's programme, which I heard on [redacted] radio, [redacted] three symphonies. The most fascinating was Dvořák's [redacted] Symphony, as it was [redacted] of all [redacted] had [redacted] the same [redacted] at the Edinburgh Festival: where [redacted] had [redacted] all [redacted] and sparkle, Davis gave [redacted] tempestuous work, all darkness [redacted] tragedy. The [redacted] performances [redacted] Symphony No 31 [redacted] Symphony [redacted] 6 [redacted] perhaps [redacted] us [redacted] what [redacted] expect.

Neither evening featured [redacted] *soloist, although Davis himself has* [redacted] fondness for singing along from time to time. This can be a bit [redacted] a liability [redacted] radio and seemed a good [redacted] catch [redacted] *concert in* [redacted] *hall, which I did on* Monday.

The second [redacted] was an all-German [redacted], framed by the contrasting styles [redacted] Mendelssohn and Reger. The evening opened in *Fingal's Cave*, on [redacted] day when its [redacted] unusually placid. Reger's [redacted] *and Fugue on* [redacted] *Merry* [redacted] *by Johann* [redacted] *Hiller* [redacted] quite [redacted] either, but the piece did offer the opportunity for some genial and affectionate playing of the kind [redacted] has become [redacted] Davis.

In between [redacted] sober *account of Beethoven's Fourth* Symphony. Davis no longer captures in this [redacted] the feeling of an energy impossible [redacted], as he did in his younger years. [redacted] there [redacted] and his players [redacted] the [redacted] of [redacted] interpretation [redacted] degree [redacted] Ozawa and [redacted] Symphony Orchestra failed [redacted] Saturday, however marvellously they played.

In [redacted] out of [redacted] Dresden representing [redacted] the old [redacted] its classical elegance and deep understanding [redacted] confidence and technical expertise of [redacted], no less splendid. If [redacted] de [redacted] wants to [redacted] sort of company in future, it will have to pull up its [redacted].

Richard Fairman

Bard's Mendelssohn

ANNANDALE-ON-HUDSON, NEW YORK STATE

In the Hudson Valley [redacted] second "Rediscoveries" Festival has just been mounted at Bard College, [redacted] rediscovering Mendelssohn. As I reported on Saturday, [redacted] programming – by [redacted] musicologist-conductor Leon Botstein and Sarah Rothenberg – aimed [redacted] illuminate forgotten aspects of that composer. (The inspiration came, I gather, from Roger Norrington's intensive "weekends".) If the leading exhibits [redacted] Botstein's own orchestral [redacted]certs-with-voices, they [redacted] vastly enhanced by their provocative context.

Not only solo and chamber recit-[redacted] planned [redacted] a sharp [redacted] but apposite lectures with polemical points: [redacted] on [redacted] religious roots, [redacted] Rothenberg on [redacted] Fanny's great, thwarted talent, Bernard Jacobson on his relations with fellow-composers, William Little [redacted] significance [redacted] Bach revival which the young [redacted] crowned with his rediscovery [redacted] "St. Matthew" Passion. Apropos [redacted] that, [redacted] example, the [redacted] Quartet violinist Eugene [redacted] played [redacted] minor [redacted] and his [redacted] minor [redacted] – coolly, meticulously – [redacted] redundant piano-supports by Mendelssohn (quirky [redacted]ing) [redacted] later by his *protégé* Schumann (dull hack-stuff) [redacted] lubricate [redacted] music [redacted] mid-19th-century [redacted].

Though period instruments [redacted] no part of the Bard Festival plan, an old wooden-frame piano would have reproduced [redacted] *original balance* [redacted] truly than Diane Walsh's big modern Steinway. It might [redacted] have helped her [redacted] project [redacted] in [redacted] fine, Bach-inspired Preludes [redacted] Fugues, and in Brahms's virtuoso re-write of the G minor violin [redacted] – but her self-effacing good [redacted] anyhow [redacted] virtuoso trait. [redacted] accompanied [redacted] William Sharp [redacted] much [redacted] purpose in [redacted] settings, [redacted] Mendelssohn's against [redacted] and Schubert. As [redacted] *Liedersänger* [redacted] high intelligence and easy grace, Sharp urgently awaits discovery on [redacted] the Atlantic.

The pianist Todd Crow led a stirring account [redacted] minor Quartet, op. 3 – [redacted] by several degrees (the Steinway problem again), but taut [redacted] vital. Yet [redacted] Miss Rothenberg, no virtuoso but a passionate interpreter, who pro-[redacted] the revelation [redacted] second [redacted] with Fanny [redacted]sohn's *Das Jahr*, published only recently by [redacted] small German firm *dedicated* [redacted] *women composers'* music.

This three-quarter-hour piano cycle is a kind of diary of Fanny's single liberated [redacted] in Italy (Rome [redacted] all, but Venice too). It [redacted] to be [redacted] cogently varied and intricately imagined than, say, Schumann's [redacted] set; [redacted] even [redacted] forward [redacted] the discursive, freely dramatic cycles of Fibich and [redacted] is [redacted] Mendelssohn-minus, but Mendelssohn-plus – [redacted] familiar, artful pianistic tropes [redacted] emotional [redacted]sions beyond Felix's [redacted] territory.

[redacted] sounds second-hand. [redacted] from shadowing her clever little brother's music, Fanny's piano-writing might have been the [redacted] fount from which [redacted] drew his own polished vein. More probably, [redacted] *siblings worked* [redacted] *their musical* idiom together, but [redacted] social constraints of the time left room only for [redacted] brother to develop it in public. Fanny might have been [redacted] feminist martyr; [redacted] Miss Rothenberg [redacted] out her [redacted] judiciously, without axe-grinding, [redacted] then brought [redacted] to life [redacted] keyboard [redacted] passionately detailed [redacted] thy [redacted] not the well-drilled fingers [redacted] a 19th-century bourgeois daughter). [redacted] persuaded us that [redacted] *Jahr* [redacted] mere curio [redacted] boldly [redacted] creation, worthy [redacted] against [redacted] piano-music of her brother and Schumann, [redacted] mutually illuminating [redacted].

David Murray

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Paavo Berglund [redacted] Royal Concertgebouw Orchestra in Debussy's [redacted] l'après-midi d'un faune, [redacted] Symphony and Sibelius' Fourth. [redacted] programme [redacted] repeated tomorrow [redacted] Zutphen. The same conductor and [redacted] a free lunch [redacted] today [redacted] 12.30 in [redacted] Concertgebouw. Tomorrow: [redacted] Brüggen [redacted] a Mozart programme with the Orchestra of the [redacted] Century. Sat: Richard Dufallo conducts Netherlands Radio Symphony Orchestra in Bernstein and Copland (6718 345)
Muziektheater 20.15 Dutch National Ballet in works by Hans van Manen, William Forsythe, Toer van Schayk and Balanchine. Repeated tomorrow, [redacted] (6255 455/credit card bookings [redacted] 211)

■ ANTWERP

De Singel 20.00 Flanders Festival: Robert [redacted] plays piano sonatas by Mozart and Prokofiev. Fri: Ensemble 415 presents an all-Vivaldi programme. Sat: Nicholas Cleobury conducts [redacted] all-Prokofiev programme with the Royal [redacted] Philharmonic [redacted] 7160)

■ BERLIN

[redacted] SFB [redacted] Michael [redacted] the Junge Deutsche Philharmonie in [redacted] Symphony [redacted] 25, [redacted] Ninth Symphony [redacted] *Concerto*, [redacted] *Yo Yo Ma* [redacted] Berlin [redacted]
Schauspielhaus [redacted] Claus [redacted] Flor [redacted] the Berlin Symphony [redacted] in [redacted] Coronation [redacted] K537, soloist Annerose Schmidt, and [redacted] Tenth Symphony. Tomorrow and Fri: Simon Rattle [redacted] the [redacted] (East Berlin 2272 261)
Philharmonie Kammermusiksaal 20.00 [redacted] Meyer Wind Ensemble [redacted] music [redacted] Mozart and Franz Krommer. Tomorrow: Berlin Philharmonic Wind Quintet (West Berlin [redacted] 383)

■ BONN

Oper 20.00 Ivan Anguelov [redacted] Graham Vick's production [redacted] *Rigoletto*, with a [redacted] by Jean-Philippe Lafont, Luigi Roni (H)and Alejandro Ramirez. [redacted] performance [redacted] Sat (773667)

■ FRANKFURT

MUSIC
Alte Oper 20.00 Petr [redacted] conducts the Prague Symphony *Orchestra* [redacted] in Dvorak's Requiem, with [redacted] Lucia Popp, Eva [redacted] and Ivan Mikulas. [redacted] 20.00 in the Mozart Saal, Ensemble [redacted] plays music by Lachenmann, Kurtag and B.A. Zimmermann, with Christine Whittlesey soprano soloist.
Tomorrow: Freiburg Baroque Orchestra plays music by Zelenka, Bach and Telemann. Fri: [redacted] a [redacted] performance of [redacted] ed Elena, with a [redacted] led by Margaret Marshall. Sun: Michael [redacted] the Junge [redacted] Philharmonie in symphonies by Schubert and Mozart, [redacted] Yo Yo [redacted] in *Lutoslawski's* [redacted] (1340 400)
THEATRE
The 1991-92 [redacted] opens on Friday [redacted] Strindberg's [redacted] Julie at the Kammerspiel (236061) and [redacted] Maugham's The Constant [redacted] the English Theater, [redacted]. The [redacted] Maugham production by Martin Harvey runs till [redacted] 16, except Mondays. [redacted] production [redacted] Bockenheimer Depot [redacted] Iphigenie auf Tauris, opening [redacted] Sep [redacted]

■ LONDON

MUSIC AND DANCE
Sadler's Wells [redacted] Moscow City Ballet production [redacted] The Sleeping Beauty, [redacted] *tomorrow. Fri and* Sat: [redacted] Lake (071-278 [redacted])
Coliseum [redacted] Guido Ajmone-Marsan conducts [redacted] revival [redacted] Jean-Claude Auvray's production [redacted] *La bohème, restaged by Julia* Hollander. The [redacted] includes [redacted] Tierney as Mimi, Lesley Garrett [redacted] Musetta, Joseph Evans [redacted] and [redacted] Opie as Marcello, [redacted] Sat. Tomorrow: Werther. Fri: Billy Budd (071-836 3161)
Queen Elizabeth Hall [redacted] From Basie [redacted] Bop: the Brian Leomon [redacted] and Ray Wordsworth's [redacted] Jazz [redacted] pay [redacted] Count [redacted] and [redacted] pioneers of Bop (071-928 8800)
Royal [redacted] Hall [redacted] Henry [redacted] Proms: George [redacted] English Chamber [redacted] in an all-Mozart programme, with [redacted] including [redacted] Uchida, Ann Murray, William [redacted] and Frank Lloyd. Tomorrow: LSO plays [redacted] Stravinsky (071-823 [redacted]
THEATRE
● *Three* [redacted] *Alighting In A Field* [redacted] a new play by Timberlake Wertenbaker, award-winning writer [redacted] Our Country's Good. [redacted] by [redacted] and designed by Sally [redacted] (Royal Court, 071-730 17450).
● [redacted] Gabler: Fiona Shaw [redacted] in [redacted] widely-acclaimed Abbey Theatre Dublin production [redacted] Ibsen's quasi-feminist [redacted] of quiet oppression, [redacted] by Deborah Warner (Playhouse [redacted] 4401).
● Our Town: Alan Alda [redacted] British [redacted] in Thornton Wilder's play [redacted] in an imaginary [redacted] *American* [redacted]. *The* [redacted] includes Jemma Redgrave and Robert [redacted] Leonard. [redacted] by [redacted] Ackerman (Shaftesbury 071-379 5399).
● *Tango* [redacted] *the End* [redacted] *Winter*: Kunio Shimuzu's Japanese play, in a transfer of the Edinburgh Festival production directed by Yukio Ninagawa, with a British [redacted] led by Alan Rickman (Piccadilly 071-867 1118).
● For ticket [redacted] about all [redacted] End [redacted] phone Theatreline from anywhere in the UK: Plays 0836 430959 [redacted] 0836 [redacted] Comedies [redacted] Thrillers 0836 [redacted]

■ MILAN

Teatro alla Scala 20.00 Georg [redacted] conducts the [redacted] orchestra and chorus in [redacted] concert performance [redacted] Die Zauberflöte, with a [redacted] led by Sylvia Greenberg, Edith Wiens, Jard van [redacted] van [redacted] Walt [redacted] 3744)

■ NEW YORK

MUSIC
Avery [redacted] **Hall** [redacted] *the* [redacted] York Philharmonic [redacted] in Copland's Old American Songs (with [redacted] Thomas Hampson making [redacted] Philharmonic debut) [redacted] Symphony, plus John Adams' Tromba [redacted] Ride in a Fast Machine. Repeated tomorrow, Fri [redacted] (875 5030)
New York State Theater 20.00 New *York City Opera production* [redacted] *The* Cunning Little Vixen conducted by Christopher [redacted] and [redacted] by Frank [redacted] in designs [redacted] Sendak, with Kathryn [redacted] *as the Vixen*. No performance tomorrow. Fri: Le nozze di Figaro (870 5570)
OFF BROADWAY THEATRE
● The Skin [redacted] Our Teeth is a *revival* [redacted] Wilder's Pulitzer Prize-winning play, which dramatises the indestructability [redacted] mankind [redacted] following an allegorical family from the Ice [redacted] by Robert Hupp (Bouwerie [redacted] Theater, [redacted] Bowery at [redacted] St., 677-0060).
● Forever [redacted] is Stuart [redacted] entertaining tongue-in-cheek salute [redacted] the vocal harmony groups of [redacted] (Steve [redacted] 158 W. [redacted] 595-7400).
● Pageant is a musical spoof of beauty [redacted] conceived and directed by Robert Longbottom (Blue Angel, [redacted] W. 44th St., 262-3333).
● Ticketron [redacted] inquiries [redacted] (246-0102)

■ STOCKHOLM

Royal Opera 19.00 [redacted] Fritzsch conducts [redacted] Langbacka's production of Don Giovanni, [redacted] in [redacted] Gunnar Lundberg in [redacted] role, Curt Appelgren [redacted] Leporello and Hillevi Martinpelto [redacted] Donna Anna. Tomorrow [redacted] Fri: Mark Ermler conducts [redacted] triple-bill, with Natalia Makarova's production [redacted] La Bayadère and [redacted] by [redacted] Béjart and Birgit Cullberg. [redacted] first night [redacted] production [redacted] (1786), opera by Johann [redacted] Naumann inspired by Sweden's [redacted] III [redacted] *led by* [redacted] (248240)
[redacted] Gennady Rozhdestvensky conducts [redacted] Philharmonic [redacted] *in Ingvar Lidholm's Kontakion*, [redacted] Fourth Symphony and [redacted] Piano Concerto No 21, [redacted] Viktoria [redacted]. Repeated [redacted] (244130). Fri [redacted] in Berwaldhallen: Esa-Pekka Salonen conducts Swedish Radio Symphony Orchestra in [redacted] Five [redacted] Op 10, Mahler's [redacted] Lied von der Erde and Nielsen's Flute Concerto [redacted] 1800)

■ VIENNA

Staatsoper [redacted] Berislav [redacted] with Giuseppe Giacomini in the title role, [redacted] Bruson [redacted] and Mirella Freni [redacted] Desdemona, [redacted]. Tomorrow: *Madama Butterfly* (51444 [redacted]

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
Eurosport
0600-0630 [redacted] report
CNN
0500-0530 *Moneyline*
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a [redacted] the day's major [redacted] *Grant Perry* and [redacted] Chapman
[redacted] World [redacted] Today
0100-0130 Moneyline
Superchannel
2220 - 2250 (Wed) Financial [redacted] Business Weekly - [redacted] latest round-up of [redacted] news with James Bellini [redacted]ton.
0830 & 2030 (Thurs) Financial [redacted] Business Weekly
Sky News
1200 [redacted]
2130 (Thurs) Financial Times Busi-[redacted] Weekly

SATURDAY
CNN
0800-0830 Moneyline
0900-0930 World [redacted] Today - a joint FT/CNN production
[redacted] Moneyweek
1900-1930 World Business This [redacted]
2110-2140 [redacted]

SUNDAY
Superchannel
1800-1830 FT Business Weekly
1930-2000 FT [redacted] Weekly
2330-0030 FT [redacted] Weekly
Sky News
[redacted] FT Business [redacted]
0710-0740 [redacted]oneyweek
1540-1610 [redacted]
1900-1940 Moneyweek
[redacted]

FINANCIAL TIMES

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Wednesday September 11 1991

Soft landing for Japan

OVER THE past two [redacted] Mr Yasushi Mieno, the [redacted] of the Bank [redacted] Japan, [redacted] a narrow tightrope. His balancing act has been to keep [redacted] high enough, for long enough, [redacted] puncture [redacted] the Tokyo [redacted] price "bubble"; but not so long as to force [redacted] sharp economic slowdown. So far it seems that he will [redacted] remarkable [redacted] The Japanese government's [redacted] ensure that he [redacted] not have [redacted] do [redacted] again.

Five discount [redacted] May [redacted] August 1990 [redacted] punctured Japan's "bubble economy". [redacted] prices [redacted] sharply [redacted] – the [redacted] index [redacted] now [redacted] cent [redacted] on its peak at the beginning [redacted] 1990.

The land market has been slower [redacted] respond, particularly [redacted] Tokyo, causing [redacted] authorities [redacted] policy tight. Turnover has collapsed and [redacted] property speculators have [redacted] bankrupt. Meanwhile [redacted] collapse [redacted] series [redacted] dals which have rocked the Japanese financial community.

[redacted] Japanese economy has continued relatively unscathed, avoiding [redacted] dual [redacted] of [redacted] it [redacted] now beginning to slow. Property-related companies are suffering. Housing starts fell 21 per cent in July; and bankruptcies were 63 [redacted] higher in the first [redacted] of [redacted] year, compared with the same period in 1990, mainly [redacted] property companies. [redacted] spending is also down, particularly on imported luxury goods. Y[redacted]terday's news [redacted] seasonally adjusted private [redacted] machin[redacted] fell by 1 per [redacted] compared [redacted] year ago suggests [redacted] corporate investment is also beginning [redacted] slow.

Plentiful capital

A sharp fall in capital spending is the main [redacted] to eco[redacted] growth. Business investment [redacted] 55 per cent [redacted] growth since 1986, [redacted] a background [redacted] cheap and plentiful capital.

All that has now changed. The Tokyo [redacted] has no appetite for new issues, while banks, struggling [redacted] meet internally agreed minimum capital-asset ratios, are unable [redacted] lend [redacted] before.

Annual broad money growth, the counterpart [redacted] bank lending, fell to [redacted] historically [redacted] rate of 3.4 [redacted] in July.

So far companies [redacted] continued [redacted] invest by drawing down their liquid cash reserves. They [redacted] inevitably [redacted] their spending plans too. The latest quarterly survey from the Bank of Japan implies that capital spending will grow by 7.9 per cent in this fiscal year, down from 16.7 per cent in the last.

Gradual slowdown

The Bank has responded [redacted] easing policy. It cut [redacted] count [redacted] in July; [redacted] injected liquidity [redacted] market, [redacted] three-month [redacted] fall to 6.7 per [redacted] from 7.1 per [redacted]

[redacted] evidence supports [redacted] expectation [redacted] will [redacted] gradual slow[redacted] rather than [redacted] sharp [redacted] Growth [redacted] expected [redacted] slow to [redacted] in 1992, lower than in recent [redacted] impressive by most standards.

The Bank of Japan has room to ease policy further. The yen has strengthened against the dollar in recent months, easing inflationary pressures. Wholesale prices rose by just 1.7 [redacted] in July compared with [redacted] and [redacted] expected [redacted] remain unchanged in August. Nevertheless, [redacted] priority must remain [redacted] bout of land price speculation does [redacted] begin once [redacted] fall.

[redacted] interest [redacted] are [redacted] blunt way [redacted] offset [redacted] supply-[redacted] weaknesses which keep urban land prices so high. It [redacted] of anachronistic zoning regulations, agricultural protectionism and a system of [redacted] taxation that [redacted] incumbent holders of agricultural land that [redacted] to [redacted]

[redacted] and preferable solution would be [redacted] the ruling Liberal Democratic [redacted] put financial stability, and the [redacted] consumers, before [redacted] of [redacted] farm lobby [redacted] has [redacted] dominant for over four decades. The LDP is in [redacted] position to act than [redacted] before. Mr Mieno [redacted] acted, and acted well. It is time his political masters followed [redacted] example.

Corporate fun

THE COLLAPSE of the Keith Prowse group has rocked the UK corporate hospitality industry. [redacted] the [redacted] in [redacted] business, and [redacted] Wimbledon [redacted] championships [redacted] Lords [redacted]

Like [redacted] industry itself, [redacted] had experienced a [redacted] of explosive growth. This growth might appear unexpected [redacted] time [redacted] cuts and rising [redacted] incomes have [redacted] trend [redacted] perks and [redacted] yet corporate hospitality has proved [redacted] be [redacted] cost-effective [redacted] marketing.

International trading companies have long known [redacted] entertaining [redacted] a necessary part [redacted] doing [redacted] in Japan and [redacted] Middle East. But [redacted] is increasingly part [redacted] marketing armoury [redacted] survey in [redacted] found that eight [redacted] 10 UK compa[redacted] relatively small amounts they spent on corpo[redacted] hospitality as [redacted] effec[redacted] than advertising, exhibitions and [redacted] mail.

There are dangers in the practice, which can [redacted] portrayed as a form of bribery. With average [redacted]diture per [redacted] under [redacted] a head, [redacted] moral [redacted] is probably [redacted] But much larger expenditure [redacted] not unknown, and [redacted] employers will [redacted] steps [redacted] avoid undue pressures on employees through [redacted] policy of disclosing significant treats. A company like Sainsbury, [redacted] routinely [redacted] all invitations, places [redacted] suspicion.

It may just be that the greater damage is done to the [redacted] which [redacted] entertainment. Complaints [redacted] philistine businessmen with [redacted] telephones [redacted] drowning out [redacted] at Glyndebourne [redacted] exaggerated. But [redacted] success of [redacted] year's unscheduled Sunday [redacted] Wimbledon – [redacted] which [redacted] corporate spectators [redacted] spending only their own money – [redacted] something can [redacted] from [redacted] when [redacted] hospitality marquees are erected.

Admitting Mammon to sporting and cultural [redacted] can certainly raise significant sums of [redacted] Companies which sponsor institutions [redacted] as the Royal Opera [redacted] such [redacted] entitled [redacted] for their philanthropy with [redacted] their [redacted] and [redacted]

And if [redacted] wealthier busi[redacted] are corralled in [redacted] high-priced corporate ghetto – [redacted] Wimbledon – the [redacted] effect may oper[redacted] ordinary spectators who can still buy reasonably-priced [redacted] through [redacted] draw. [redacted]ever, a [redacted] promoter will limit the [redacted] hospitality, and wring the maximum revenue by auctioning the rights to [redacted] highest [redacted]

Brussels cool

IT IS A real pleasure [redacted] be [redacted] proposal [redacted] without reservation. [redacted] many people [redacted] been seduced by high-pressure sell[redacted] time-share holiday developments; they have signed in haste, found that they cannot rescind their commitment, and repented [redacted] leisure. Some have even discovered that they have [redacted] title to the property they [redacted] "bought", and found no remedy. So Mr Karel [redacted] Miert, [redacted] commissioner for consumer affairs, is proposing a compulsory, Europe-wide "right [redacted]" for seven days, in which bidders would be free [redacted] withdraw.

Excellent (though seven days [redacted] long [redacted] review such [redacted] large and legally complicated commitment.) This sensible [redacted] is [redacted] world [redacted] from [redacted] proposal from the same office, which may yet make kippers illegal (astonishing, [redacted] citizen [redacted] land [redacted] smoked [redacted] It [redacted] we like kippers and dislike pressure selling – though [redacted] is true – but that we like laws [redacted] at the appropriate level.

Timeshare [redacted] men in one country and cus[redacted] in another; protection [redacted] be transnational. National governments are perfectly able [redacted] whether [redacted] preserve their citizens' right [redacted] indulge [redacted] (if British) [redacted] odd kipper. Brussels [redacted] often forgets this, and [redacted] aim for a Europe not so much harmonised as homogenised. [redacted] kind [redacted] proposal deserves a brickbat just as this one gets a bouquet.

Robert Taylor explains why Sweden's Social Democrats may face general election defeat

Reshaping the Swedish Model

The [redacted] it was: Ingvar [redacted] in 1988 appears [redacted] Sunday at the hands of Carl Bildt, right

This Sunday's general election in Sweden [redacted] mark the end of [redacted] political era. [redacted] the Social [redacted] party that has ruled the country for all but six of the past 59 years [redacted] down to defeat. The public opinion polls all point to a victory for the five non-socialist parties – though whether they will remain united enough to establish [redacted] coalition government that stays the course of [redacted] three-year parliament [redacted] remain in doubt.

If the Social [redacted] do lose, it will [redacted] a historic reversal. The party has, [redacted] all, been virtually synonymous with [redacted] for [redacted] in the [redacted] its admirers it is the most successful democratic party in the world. [redacted] – although it will remain by far the largest party in parliament and will continue to influence [redacted] from opposition – it [redacted] set [redacted] be replaced by a government that may have [redacted] inhibitions about [redacted] the country [redacted] untrammelled market [redacted]

Social democracy [redacted] knew it has in any case been dying [redacted] some [redacted] The party has [redacted] forced [redacted] strategic withdrawal during the 1980s [redacted] the face of [redacted]mous economic and [redacted] changes [redacted] are transforming the Swedish Model into a [redacted] European [redacted] economy. [redacted] past [redacted] under Prime Minister Ingvar [redacted] has moved [redacted] long [redacted] to come to [redacted] with [redacted] demands [redacted] more individual [redacted] internationalisation [redacted] the [redacted]

[redacted] one policy [redacted] after another – agriculture, retail distribution, privatisation [redacted] industry, competition and anti-monopoly laws – [redacted] Social [redacted] bowed [redacted] the market and began to pull down the panoply of controls and regulation [redacted] protected much of the [redacted] early [redacted]

The removal of foreign exchange controls in July [redacted] coupled [redacted] this summer's [redacted] to link [redacted] krona [redacted] European Currency Unit as a step towards membership of the exchange [redacted] of the European Monetary System has [redacted] the country [redacted] no lon[redacted] devalue [redacted] improve industrial competitiveness.

Party [redacted] questioned openly many [redacted] old Social Democratic shibboleths. They accepted [redacted] the conquest [redacted] inflation should be [redacted] higher priority than [redacted] maintenance of full employment and acknowledged that public expenditure must be reduced as [redacted] proportion [redacted] gross national product [redacted] much [redacted] current 57 [redacted] cent.

[redacted] reforms, [redacted] party accepted [redacted] must be shifted off incomes and on to goods and services as an incentive for people [redacted] work. This [redacted] significant [redacted] with [redacted] democracy – indeed, [redacted] admitted it had its roots in Reaganomics.

Under their finance minister Allan Larsson the Social Democrats also followed a prudent [redacted] responsible financial policy. There has [redacted] pre-election spending spree [redacted] though [redacted] country is in [redacted] depths [redacted] recession – a fact which seems to have impressed [redacted] money markets more than [redacted]

The Social Democrats' foreign policy has [redacted] Swe[redacted] traditional neutrality – always a somewhat flexible concept [redacted] any case – [redacted] no longer seen as a barrier to [redacted] European integration in [redacted] of [redacted] Cold War. This July Mr Carlsson presented his country's application [redacted] European Community membership with his party's full support.

The fundamental revision [redacted] Swed[redacted] social democracy [redacted] come [redacted] a shock [redacted] many non-socialists who [redacted] party of stealing many [redacted] their [redacted] electoral clothes. It [redacted] even more confusing [redacted] party faithful.

[redacted] electorate [redacted] large, [redacted] democracy [redacted] showing signs [redacted] intel[redacted] exhaustion. The party's election manifesto [redacted] almost [redacted] of ideas, consisting mainly of [redacted] paean to the past. To its many critics, the party now lacks [redacted] vitality and [redacted] dictate the agenda of Swedish politics.

From the 1930s onwards the Social Democrats won the [redacted] of ideas. The party combined [redacted] competence [redacted] vision. Unlike democratic left-wing parties elsewhere, it [redacted] schisms and [redacted] to [redacted] other political [redacted] that [redacted]ened its dominance, such as the anti-nuclear campaign.

[redacted] it is the non-socialist parties that have the initiative and the Social Democrats who are reacting [redacted] pres[redacted] and influences over which they [redacted] little control.

Over the past three years, Mr Carlsson has fought a rearguard action to bolster his support through tactical alliances with the Liberals or the Centre party. But this does not seem to have been enough to convince the voters that the Social Democrats remain the party best able to govern Sweden as the country negotiates its way into the European Community – which it hopes to do by the end of 1994.

Mr Carlsson's problem in essence is that he finds it difficult to explain the sort of market socialism which he has sought to introduce to Sweden. Instead, he has reverted to traditional Social Democratic messages about the need to protect the old, the young and the sick through state support. He warns that the Moderates, the main opposition party whose leader may be the next prime minister (see below), want to import Thatcherism into Sweden.

His basic electoral message – a mixture of scare-mongering and nostalgic appeal – does not seem to have found an echo among many voters, particularly the younger generation who will vote heavily for the non-socialist parties.

Mr Carlsson's position has not been helped by Sweden's economic performance. True, its inflation rate – virtually zero on a month-on-month basis – is now among the lowest in western Europe, thanks to a surprisingly successful voluntary wage restraint policy; it is also showing a comfortable visible trade surplus. But the economy is expected to show little or no growth between 1990 and 1992; industrial production has plummeted this year; and the balance of payments deficit has risen substantially.

Most people's living standards may have have been unaffected but there is still widespread discontent. Registered unemployment has risen to over 3.1 per cent of the workforce and is set to climb to 4 per cent or more next year. This may be [redacted] by western European standards but it alarms many [redacted] who have grown up with full employment.

Small wonder that the electorate hankers after change – [redacted] if it looks set to produce a weak, divided [redacted] with little ideological glue to bind it. [redacted] Sweden's misfortune that [redacted] likely [redacted] the result at a time when the country needs a strong gov[redacted] to negotiate the best [redacted] for EC membership and to pull the economy out of the doldrums.

The freer-market man

Robert Taylor on Moderate party leader Carl Bildt

Mr Carl Bildt, 42-year-old leader of the Moderate party, [redacted] he will be Sweden's [redacted] prime minister after Sunday's election, at the head [redacted] non-socialist coalition government. If he [redacted] right, he [redacted] become the first conservative prime minister the country has had since 1930.

Elected to lead the party in August 1986, he owed his rapid rise in Swedish politics to his parliamentary battles over foreign and defence policy with the late Olof Palme. The [redacted] prime minister once accused Mr Bildt [redacted] a "security risk" after he briefed [redacted] US [redacted] Department on Soviet submarine incursions into Swedish [redacted]

In fact, Mr Bildt [redacted] probably [redacted] most knowledgeable politician in Sweden [redacted] international relations. He [redacted] on close personal terms [redacted] Chancellor Helmut Kohl [redacted] Germany and is [redacted] friend of Chris Patten, the British [redacted] party chairman.

Since [redacted] election to parliament on [redacted] Stockholm list in [redacted] Mr Bildt has made the place of Sweden in the world his primary interest. Indeed, [redacted] has [redacted] a [redacted] supporter of [redacted] European Community membership since [redacted] university in the early 1970s.

It is this commitment which [redacted] Mr [redacted] politics logic and [redacted]ence. "Europe has become the [redacted] of hope for the regeneration of [redacted]den – from food policy to taxation, from culture to the environment," he asserts. [redacted] Mr [redacted] his country's move into the [redacted] signifies [redacted] break with the old notion [redacted] Sweden as a middle way, a country balanced ideologically [redacted] east [redacted]

Mr Bildt [redacted] convergence with the EC will render much [redacted] the country's [redacted] ideology [redacted] While Ingvar [redacted] often gives [redacted] impression he wants to Swedify Europe, Mr Bildt [redacted] the [redacted]

In his view the domestic agenda of the Moderate party will turn Sweden into a country fit [redacted] EC membership. Mr Bildt wants to cut the heavy tax burden, privatise state industry, abolish [redacted] public wage [redacted] funds, stimulate freedom of choice in [redacted] system and encourage the [redacted] ethic, personal saving and small businesses. Only [redacted] through a more robust market strat[redacted] he [redacted] can Sweden enjoy a competitive advantage when [redacted] enters the EC – a move which may come as [redacted] as January 1 1995.

Although [redacted] Democrats love [redacted] caricature Mr Bildt as a Thatcherite figure hell-bent on destroying [redacted] state and creating mass unemployment, he is a conservative much more in the mould of Edward Heath than [redacted] Margaret Thatcher. But in a political system [redacted] on consensus Mr Bildt can be seen as a divisive figure. The sociable Ingvar Carlsson cannot disguise his distaste for Mr Bildt.

But the tall, donnish young man will not enjoy complete political freedom to [redacted] what he [redacted] if the [redacted] Democrats lose on Sunday. His own party can [redacted] to poll only about 20-22 per cent of the national vote.

He must build a broad coalition of non-socialist parties to ensure a majority government – [redacted] will not be easy. He has good relations with Liberal leader Bengt Westerberg. The two men have agreed on a common economic programme – which [redacted] have called New Start [redacted] Sweden – aimed [redacted] opening the economy to market forces.

But to ensure a viable government they also need the backing of the Christian Democrats – [redacted] small party [redacted] to come into parliament for the first time – and more problematically the unpredictable and left-leaning Centre party whose [redacted] Mr Olof Johansson is already laying down in public terms for joining a Bildt coalition.

To add to the probable post-election confusion the recently formed populist New Democracy also looks set to enter parliament. If it secures enough seats to hold the balance of power and to stop the other four non-Socialist parties achieving a majority between them, Mr Bildt might find it hard to keep his putative coalition in line. The Liberal leader has warned that his party would refuse to join a non-socialist coalition that depended on ND for parliamentary survival.

Mr Bildt has never held senior office before, having been only a backroom adviser and co-ordinator in the [redacted] non-Socialist governments.

The [redacted] leader knows he is playing for high stakes [redacted] If he succeeds in forming a government he could lead Sweden into the EC and start to wean his country away from Social Democratic atti[redacted] But if he fails he could set back the cause of conservatism in Sweden for another generation.

Academic enterprise

■ With Soviet communism collapsed, Harvard University is already picking up the pieces. Its John F Kennedy [redacted] government [redacted] begun [redacted] remarkable exercise to help top former [redacted] to adjust to life after Lenin.

[redacted] on [redacted] two-week course for 28 ex-Soviet [redacted] ministry eminences on the role of the military in a democracy. [redacted] range [redacted] a primer on the [redacted] Constitution to lessons of the wars in Vietnam, the Gulf, and... wait for it... Afghanistan.

Among [redacted] Blackwill and Condoleezza Rice, who [redacted] President Bush [redacted] Soviet affairs. Guest speakers include joint chiefs [redacted] chairman [redacted] Colin Powell, his predecessor Admiral William Crowe, and [redacted] John Galvin, supreme allied commander in Europe.

The privately-funded democracy programme is modelled on similar week-long seminars offered to US national security professionals and freshmen members of Congress. This is the first time, however, [redacted] the [redacted] has been offered to Soviet equivalents.

Given how short [redacted] time it is since Moscow would have have dismissed the very idea as capitalist brainwashing, the exercise is a tribute to Harvard's responsiveness [redacted] change. The John F Kennedy school in particular – proposer of the controversial "Grand Bargain" economic reform package for the Soviet Union – has captured a niche in [redacted] ought [redacted] be a growing market.

Good sport

■ Three cheers for Patrick Whittingdale, an international fund manager with a mind of [redacted] own. Against all the [redacted] of professional sponsorship advisers, he has decided to bet £1m [redacted] his own company's money on training the English cricket team for the next [redacted]

Whereas bigger sponsors demand setpiece [redacted] at which they can wine and dine clients, Whittingdale wants the money to be spent on behind-the-scenes training. Nothing more.

[redacted] for big spenders like [redacted] Prudential [redacted] NatWest, £1m is [redacted] lot of money. For Whittingdale, [redacted] has [redacted] out [redacted] specialist niche managing [redacted] for Lloyd's syndicates, [redacted] is [redacted] amount. The 48-year-old Whittingdale, [redacted] up his 35-strong fund [redacted] company in 1977, [redacted] already [redacted] the [redacted] best philanthropists and his latest gesture is the biggest boost British [redacted] has had in years.

With an eye [redacted] pension funds he hopes to woo, Whittingdale portrays himself as very much the long-term [redacted] But his magnanimous gesture could still backfire.

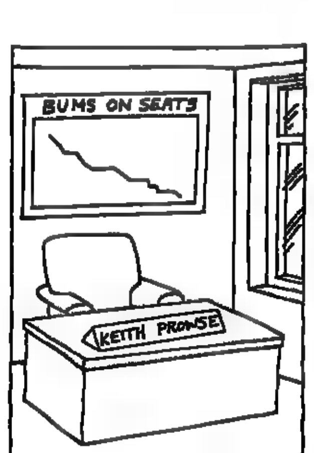
How can he hope to recruit the [redacted] fund managers [redacted] such [redacted] large part of the company's profits are being sunk [redacted] a [redacted] such a poor track record?

Bounders

■ British Airways' chairman Lord King has suddenly taken off, and in the pages of today's pink 'un [redacted] that.

The 74-year-old is the first of 26 assorted high-fliers who've agreed [redacted] be pictured jumping [redacted] joy in advertisements for the [redacted] Trust, which helps to give a lift [redacted] young people. The ads, [redacted] in the FT every Wednesday for the next half year, are sponsored by Mercury Communications, part [redacted] the [redacted] and Wireless empire.

OBSERVER



The identity of the other 25 jumpers is a closely guarded secret. But they're believed to include Lord Blakenham, chairman of the FT's parent-group Pearson, even though Prince Charles himself is apparently loth to leave the ground.

Roundabout

■ What on earth is going on at the London Stock Exchange? Senior staff are coming and going (and coming again) so fast, it's difficult [redacted] any stability returning to the organisation.

The latest to go are David Bilbé, [redacted] former Chase Manhattan banker who was director in charge of strategy in the exchange's markets division, [redacted] Holloway, former [redacted] of market making [redacted] Barclays de Zoete Wedd and a special adviser to the exchange on [redacted] development. Bilbé lasted just 15 months, [redacted] Holloway's one-year contract has not been renewed.

The exchange claims this does not signal any disagreement over its proposed new trading strategy, which [redacted] already been through more pairs [redacted] than [redacted] rugby ball (George Hayter, Bilbé's [redacted] boss and original architect of the plan, jumped ship a year ago).

Meanwhile, one old exchange staffer lost in the recent purges has reappeared. Mick Newman, who played [redacted] key [redacted] in [redacted] development of computer systems ahead [redacted] has [redacted] brought back as [redacted] consultant to help with Taurus, the troubled [redacted] system. His experience turned out to be invaluable [redacted] all.

Ex-poodle

■ Early days yet, [redacted] it sounds [redacted] if [redacted] European Bank [redacted] Reconstruction [redacted] Development's president Jacques Attali is no longer listening quite so intently to his [redacted] voice.

The man [redacted] be President Mitterrand's [redacted] personal adviser was in Washington yesterday urging [redacted] European [redacted] to [redacted] and open up their markets to poor Eastern European farmers. Back home his old mentor in the [redacted] Palace seems intent on doing the [redacted] upsetting everyone by blocking [redacted] European meat imports.

Of course, it may just be that Attali was trying to impress his biggest shareholder on its [redacted] turf. But then again it could be another telltale sign that [redacted] Mitterrand's closest advisers are starting to jump ship.

Timeless

■ Excusing himself for droning on far too long, a longwinded speaker at a [redacted] conference pointed out [redacted] the hall did not contain a [redacted] Whereupon a [redacted] the floor responded:

"Thank [redacted] they've got a calendar."

LETTERS

Ingredients for a backlash exist in eastern Europe

From Mr R Tyrrell.

Sir, Andrew Phillips is correct when he takes you to task for your too simplistic view of "capitalism's triumph" (Letters, September [redacted] the [redacted] cites for [redacted] view, there are others.

The wave that broke over eastern Europe in 1989 is already beginning to ebb. This is not only the result of the downsides of capitalism during the adjustment period [redacted] market economy – as inflation and unemployment rise and living standards fall.

More important, there is the insult to the values that governed for more than [redacted] years, and were substantially believed in for [redacted] half [redacted] period. A generation [redacted] in life [redacted] has [redacted] rejected [redacted] worthless – [redacted] that hurts, particularly [redacted] the [redacted] still [redacted] in.

[redacted] the apocryphal story [redacted] the Dresden man's view on capitalism's triumph [redacted] only [redacted] then... but at least we all only had Trabants."

Couple this with the [redacted] reputation some [redacted] nies are gaining as sub-standard (but branded) products are [redacted] on eastern European markets. Couple it, [redacted] with the [redacted] of eastern Europeans at the [redacted] packaging employed [redacted] some [redacted] products ("and you [redacted] us environmentally irresponsible") and the [redacted] are there for a [redacted].

The [redacted] will [redacted] The [redacted] esting thing is what the backwash will mean for capitalism – something we tend to ignore in our smugness at its triumph.

Capitalism vintage 1991 is definitely not the end of history, maybe just the end of a chapter in the economic and social history of Europe. The next one could have an interesting twist or two in the plot.

R Tyrrell,
The Henley Centre,
2 Tudor Street,
London EC4Y 0AA

Pay review for teachers

From Mr Nigel de Gruchy.

Sir, I believe your report that the TUC "committed itself to opposing a pay review for teachers" (September 6) to be inaccurate. Congress resolved unanimously to seek restoration of teachers' rights "in conformity with" the relevant International Labour Organisation (ILO) Conventions.

The National Association of Schoolmasters and Union of W[redacted] Teachers (NASUWT) firmly believes [redacted] the Pay Review Body, acceptable to the overwhelming majority of teachers and five [redacted] of their associations, conforms fully with the ILO Conventions.

It is true that others think differently. Whatever view one takes, it would be curious for the TUC to complain to ILO about the Review Body when so many teachers and their associations have positively welcomed its introduction.

The Labour party is also on record [redacted] supporting pay review bodies in such circumstances.

Nigel de Gruchy,
general secretary,
NASUWT,
5 King Street,
London WC2

How to get the best of both worlds in accounting

[redacted] Professor D R Myddelton.

Sir, Professor [redacted] J Page (Letters, September 4) is quite right to emphasise the importance of [redacted]ardship in finan[redacted] accounting. The English Institute's Recommendation [redacted] in 1952 stated: "The primary purpose of [redacted] annual [redacted] a [redacted] present information to [redacted] proprietors showing how their [redacted] have [redacted] utilised and the profits derived from such use." This suggests that it [redacted] be [redacted] for UK financial [redacted] move [redacted] a [redacted] use [redacted] historical cost, in line [redacted] US practice.

[redacted] the Sandilands Committee, which [redacted] Current Cost Accounting [redacted] 1975 [redacted] influence [redacted] political [redacted] (para. 273) [redacted] accounting [redacted] proved [redacted] of great [redacted] in protecting [redacted] of companies and, [redacted] price are stable, [redacted] in [redacted] clear and [redacted] company's affairs". Indeed, subject always to the phrase [redacted] prices [redacted] ble", [redacted] many advantages [redacted] accounting: versatility, usefulness, verifiability, [redacted] dom from ambiguity, prudence, comparability between companies and over time, intelligibility and cheapness.

During [redacted] period Current [redacted] Accounting [redacted] proved both unpopular [redacted] Yet [redacted] UK [redacted] from rapid [redacted] which continues to distort financial [redacted] The aver[redacted] since [redacted] Report [redacted] published exactly 16 [redacted] just under 9 per [redacted] a [redacted] the pound [redacted] nearly three-quarters [redacted] purchasing [redacted] then.

[redacted] I suggest a [redacted] to [redacted] the [redacted] of [redacted] to [redacted] important advantages [redacted] historical [redacted] accounting, while [redacted] having [redacted] system [redacted] accounting [redacted] which [redacted] relatively simple, logically consistent, comprehensive, relevant [redacted] useful. I [redacted] why [redacted] adopt [redacted] Purchasing [redacted] (CPP) accounting? As Recommendation N15 [redacted] pointed out, CPP accounting "is not strictly a proposal for a change from accounting based on historical cost".

Professor D.R. Myddelton,
professor of finance [redacted]
accounting,
Cranfield School of
[redacted]
Bedford

Architects who suffer in silence through recession

From Mr David Thurlow.

Sir, It would seem that the professions are not used to suffering the effects of recession. There is much advice given to the young architect in his professional training, but liquidation and receivership are not on the curriculum.

Perhaps this explains the [redacted] in [redacted] prevails. [redacted] profession [redacted] outraged by [redacted] antics [redacted] Prince Charles [redacted] by [redacted] tematic deconstruction of great swathes of our practices.

It is expected that one-third of all practices will fail by the end of the year and that 40 per cent – 50 per cent of the profession will be redundant.

[redacted] government deliberately allowing the construction industry to remain in free fall [redacted] bring us [redacted] line [redacted] Europe? If so, why not discuss the problem with the industry? Or is it a policy of total disregard, with no control over the future, of one of our biggest and most important industries?

The current problems [redacted] rather like the Great Plague; a disease that affects all, not just [redacted] the rich, famous, efficient and well-respected alike. Unlike the plague there is a cure, which involves [redacted] and [redacted] condition of [redacted] industry to make a controlled recovery. Steady growth, made possible through good communications between government, institutions, [redacted] professions and [redacted] construction industry... [redacted]

David Thurlow,
president,
Association of Consultant Architects,
[redacted] Wharf,
Bristol [redacted]

Time watching

From Lord Monson.

Mr Michael Allaway (Letters, September 2) urges the UK, Ireland and Portugal "to line up [redacted] Central European Time" for the sake of the [redacted] business [redacted]

Fewer degrees of longitude separate New Orleans from San [redacted] D.C. from Denver than separate Budapest from Lisbon or Warsaw from Cork. Yet the time difference [redacted] each pair of American c[redacted]s is not a trifling 60 minutes [redacted] fully two hours.

Are European business executives really too feeble to cope with time differences, based on geographical [redacted] their successful American, Canadian and Australian counterparts take in their stride?

Monson,
House of Lords,
London SW1

IoD survey of business opinion

From Dr Ann [redacted]

Sir, The number of respondents (320) to the Institute of Directors' survey of business opinion may be smaller than the number of respondents to the Confederation of British Industry's quarterly survey but it is certainly not "less systematic" ([redacted] 9). Quite the contrary: the IoD survey [redacted] very systematic.

The institute's survey is [redacted] on [redacted] sample of the IoD's 33,000 UK members. The [redacted] ple, which [redacted] the membership in terms of company size, sector of operation, position in company and geographic location, is taken from a randomly selected list of names drawn from the IoD membership database. It is as systematic and as valid as any of [redacted] major [redacted] veys of voting intentions where [redacted] respondents are contacted.

The IoD survey is [redacted] "sys[redacted]" in [redacted] it covers the [redacted] just manufacturing, [redacted] of the IoD's membership itself corresponds closely to the pattern of business activity in the UK. Its special features are that it is conducted by telephone, enabling individuals to be targeted and [redacted] by [redacted] job it [redacted] to [redacted] companies.

Ann Robinson,
[redacted] of Directors,
[redacted]
[redacted]

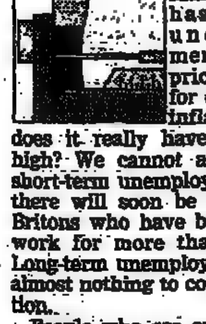
Fax service

LETTERS may be faxed on 071-873 [redacted] They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

PERSONAL VIEW

A 12-month turnaround for the unemployed

By Richard Layard and John Philpott



As the chancellor, Norman Lamont, has said, unemployment is a price we pay for controlling inflation. But does it really have to be so high? We cannot avoid some short-term unemployment. But there will soon be nearly 1m Britons who have been out of work for more than a year. Long-term unemployment does almost nothing to control inflation.

People who are out of work for more than a year are four times less likely to find work than the newly-unemployed. They become demoralised and lose their habit of work. Employers are loath to risk employing them, so that they cease to be a part of the effective supply of labour.

This is a human tragedy, and an economic disaster. An efficient society prevents long-term unemployment.

Yet almost by mistake we have a system which directly causes it. Our unemployment benefits, though mean, last indefinitely, which makes it possible to survive indefinitely on benefits. At the same time, we do very little to help the unemployed find work or improve their skills.

This is the exact opposite of what Beveridge intended. He believed that unconditional benefit should be paid for a limited period. After that, state assistance should be in the form of training or work.

We therefore need a new contract between the state and the citizen. The duty of the state should be to ensure that within a year of becoming unemployed every individual has offers of training and/or work. And the duty of [redacted] zen should be to accept one of a number of reasonable offers.

This general principle is such common sense that any fair-minded person should surely accept it. But how exactly would it be [redacted]

It could not be introduced overnight. But that [redacted] inevitable. [redacted] should build [redacted] system that can [redacted] the [redacted] and [redacted] should stop living from one expedient to [redacted]

The following structure *could* be established within the life of a parliament.

- Each [redacted] would have the duty [redacted] secure [redacted] work [redacted] *high-quality training* within 12 months for [redacted] unemployed person.
- Each unemployed [redacted] would have [redacted] personal placement [redacted] equipped with on-line information about all vacancies *in [redacted] country. If* travel [redacted] to be computerised, so does the labour market.
- After six months, if the per[redacted] still unemployed and [redacted] to be trained [redacted] retrained, he or she would be sent on a high-quality training course – normally full-time – leading to a recognised qualification. Local employers would control these [redacted] and collectively aim (or even guarantee) to employ all [redacted] students.
- People who could not benefit from training would, after nine months, join a special, intensive job club which would provide an accurate account of their capabilities. Any employer hiring a person from this [redacted] would [redacted] a [redacted]
- As a last resort, anyone still unemployed [redacted] 12 [redacted] would be [redacted] a [redacted] six-month job [redacted] a regular workplace, paid [redacted] the rate for the job. Hospitals, social services, public [redacted] departments or voluntary organisations would [redacted] main employers.
- All the [redacted] finance [redacted] routed through the Jobcentres, which would then buy the [redacted] deal [redacted] their [redacted]

This [redacted] would, [redacted] money. [redacted] it [redacted] save [redacted] When [redacted] unemployed, the nation typically [redacted] a year. The *taxpayers lose* [redacted] the unemployed person [redacted] the [redacted]

So if we could eliminate half a million long-term unemployed, we could save the nation £10bn a year and save the exchequer £4bn. This could be achieved within five years at a cost to the exchequer of less than £2bn year. What a bargain. If the number to be coped with were larger, the costs would be larger, but so would the benefits.

It is a matter of spending money to save money. In places such as Germany and Sweden the argument is better understood than in Britain. These countries spend substantially more on "active" help to the unemployed, as compared with "passive" benefits. And they have less long-term unemployment.

In 1990, these countries [redacted] the Council [redacted] Organisation [redacted] Economic Co-operation and Development to propose a new framework for labour market policy, with priority for "active" help. But little has happened in the UK.

One problem comes from our system of departmental responsibilities. If the Department of *Employment's programmes* save money on benefits, those savings go to the Department of Social Security. The answer [redacted] simple: put [redacted] the Employment Department (just as Jobcentres and benefit offices are together).

All these changes will take time. In the first years, while recession persists, they will be hard going. And they will be far more effective if accompanied by wage-bargaining reform, making possible a more buoy[redacted]

[redacted] key [redacted] of principle – to have a system which prevents long-term unemployment. [redacted] rising [redacted] pensioners [redacted] decaying cities, it is [redacted] people who want to work should [redacted] in [redacted]

Cheap [redacted] improve [redacted] figures do [redacted] good. Instead, we [redacted] about [redacted] human resources and give [redacted] So let us adopt one simple [redacted] mitment: [redacted] stop unemploy[redacted] lasting more than [redacted]

[redacted] Layard [redacted] director of the Centre for Economic Performance at the London School of Economics. John Philpott is director of the Employment Institute. Their book, Stopping Unemployment (£9.95), is pub[redacted] by the Employment Institute, [redacted] Road, London [redacted]

Edward Mortimer

The pursuit of greatness

FOREIGN AFFAIRS

Patriotism should be separated from the state. Two books show why this is difficult for the British

[redacted] pity it [redacted] Birley is not alive today. What [redacted] pleasure [redacted] in explaining the background to all the national strug[redacted] the collapse of communism, and how enjoyable [redacted] to [redacted] him. He was [redacted] of [redacted] when I [redacted] there, [redacted] one of those [redacted] teachers whose enthusiasm [redacted] his subject was so palpab[redacted] could not help being [redacted] by it; and no subject [redacted] him more [redacted] nation[redacted]

"I do [redacted] believe for a moment," he said in 1973, "that the Soviet Union has finished with the problem [redacted] nationalism". And in [redacted] same [redacted] he [redacted] that "of [redacted] nationalist movements in Europe today none [redacted] violent or more likely [redacted] revolution [redacted] in Yugoslavia", going [redacted] point [redacted] that Serbs [redacted] Croats [redacted] divided not by language but by alphabet and spiritual allegiance. "And behind that we find the epoch-making decision of the Emperor Diocletian in AD 285 to divide the Roman Empire, for the line between the Churches still approximates very closely to this line of seventeen hundred years [redacted]"*

[redacted] began [redacted] lecture by pointing out [redacted] there is nothing new [redacted] feelings or the [redacted] patriotism, [redacted] quoted lyrical [redacted] Italy from [redacted] But, [redacted] went on, "it never crossed [redacted] mind [redacted] either Dante or Petrarch [redacted] might [redacted] single independent state". It [redacted] only [redacted] revolution [redacted] and [redacted] came [redacted] identified, while according to Lord Acton, the partition of Poland (1795) "awakened the theory of nationality in Europe ... Thenceforward there was a nation demanding to be [redacted] State – [redacted] soul, [redacted] it were, wandering in search of [redacted] body to begin life again".

But where does Britain [redacted] into [redacted] this? [redacted] people see [redacted] as the first and [redacted] successful nation-state. Although Birley [redacted] alongside Dante and Petrarch [redacted] part of the long pedigree [redacted] patriotism, [redacted] could [redacted] it "never [redacted] mind" [redacted] Shake[redacted] England could [redacted] single independent state, since in his time it already did; [redacted] he quoted from Shakespeare's Richard II *directly associate* patriotism [redacted] "This royal [redacted] Kings, [redacted] sceptred isle, [redacted] earth of majesty, this [redacted] Mars ..."

This [redacted] British patriotism. [redacted] can, [redacted] tries, [redacted] England [redacted] essentially [redacted] place. [redacted] it [redacted] very difficult to think [redacted] as anything except a [redacted] imperial [redacted] "Great Britain" [redacted] originally a geographical expression, distinguishing *la grande Bretagne* from the other Bretagne across the Channel, or possibly the largest of the British Isles from the next largest, [redacted] known [redacted] Ireland. But [redacted] ordinary language today "Britain" [redacted] synonymous [redacted] Kingdom, [redacted] people seem to think, or assume without thinking, that [redacted] in [redacted] to its power and status in the world. [redacted] implied in Mrs Margaret [redacted] election slogan, "Britain [redacted] Great Again"?

Thus [redacted] British national identity is intimately [redacted] up [redacted] state, and even as [redacted] great impe[redacted] This point is vividly illuminated in [redacted] by [redacted] historians published this month: The Pursuit of Greatness, by [redacted] Holland (Fontana, [redacted] and Britannia Overruled, by David Reynolds (Longman, £26.00). Both are essentially histories of British foreign policy in the 20th century, and both take as their main focus the effort devoted by Britain's governing élite to maintaining the country's sta[redacted] a great [redacted] a time [redacted] its [redacted] was, in fact, bound to decline because, as Mr Reynolds puts it, "power is not [redacted] but [redacted] relationship".

Britain [redacted] uniquely powerful in the mid to late 19th century not [redacted] much because of its intrinsic strength as because it had [redacted] global rivals, while in Europe [redacted] was "a temporary equilibrium". Even then, Britain [redacted] not a [redacted] military (as opposed [redacted] naval) power, and Bismarck [redacted] that "if the British army landed on [redacted] German [redacted] he would [redacted] the local police [redacted] to arrest it". Historically, Britain [redacted] always relied on [redacted] and coalitions [redacted] achieve [redacted] foreign policy goals, [redacted] in the [redacted] century, with [redacted] world powers [redacted] new technologies [redacted] war (especially [redacted] power) [redacted] became more and [redacted] Europe as a [redacted] ically compared [redacted] the rest of the world, [redacted] in general [redacted] powerful [redacted] they [redacted] "the [redacted] gouged deep [redacted] body politic".

> **After 1967, Britain became 'a polity at last adapting *to the problem of efficiently* governing itself, rather than other people'**

For [redacted] people, [redacted] power [redacted] hardly been a disaster. "Being powerful [redacted] desirable," [redacted] Mr Reynolds; "being [redacted] surely [redacted] important. Viewing [redacted] century as [redacted] whole, Germany's 'rise' [redacted] a good [redacted] unpleasant for [redacted] German [redacted] Britain's [redacted] has [redacted] for the ordinary Briton". But for [redacted] British [redacted] peculiarly difficult [redacted] accept.

[redacted] the [redacted] of Mr Holland's book: [redacted] from the Edwardian period [redacted] ruling [redacted] became [redacted] with "a vision of national [redacted] on [redacted] legitimacy of [redacted] status quo [redacted] come to depend". As an extreme example he quotes Evelyn Shuckburgh, private [redacted] to the then Foreign Secretary Anthony Eden, confiding to his diary in 1953: "I ended today extremely gloomy about British prospects everywhere ... I [redacted] no reason why there should be [redacted] end [redacted] the surrenders demanded of [redacted] International [redacted] and the temper of international opinion [redacted] all [redacted] against the things which made [redacted] a great nation, i.e. our [redacted] outside our own territory. Bit by bit we shall be driven back into our island where [redacted] shall starve."

Mr Holland ends his narrative in 1970, arguing that the collapse of sterling in 1967 and [redacted] adjustments that [redacted] it, including the withdrawal [redacted] Suez", marked [redacted] abandonment of the "pursuit of greatness" by "a polity [redacted] last adapting [redacted] the problem [redacted] efficiently governing itself, rather than other people". [redacted] Mr Reynolds, [redacted] perceptively I fear, [redacted] story [redacted] still continuing. Britain, he notes, [redacted] special difficulties in adapting to a world where nation-states are downgraded because the continuity of [redacted] and political institutions – "the Crown in Parliament" – [redacted] much more central [redacted] British national identity than [redacted] that of other European nations, [redacted] national cultures [redacted] survived long peri[redacted] political disunity and/or institutional discontinuity.

What [redacted] Britain, if not a state? An island which the English [redacted] the [redacted] and [redacted] three nations together [redacted] one. English people [redacted] "British" and "English" as [redacted] interchangeable terms, without thinking about it. [redacted] and Welsh retained a [redacted] national consciousness, while participating [redacted] a highly-successful [redacted] enterprise [redacted] Great Britain. For them, [redacted] for [redacted] nations, [redacted] problem [redacted] retain [redacted] same national [redacted] while participating in another enterprise, which in [redacted] circumstances has [redacted] offer, [redacted] Europe. But the English have [redacted] difficulty in [redacted] ing their national feelings from the sovereignty of the British state.

** The lecture is reprinted in History [redacted] (John Murray, £15.95), [redacted] of his essays, addresses [redacted] letters published [redacted] by his son-in-law Brian [redacted]*

FINANCIAL TIMES
Wednesday September 11 1991

Bosnia-Hercegovina asks for monitors in face of growing threat from Serb forces

Yugoslav republic makes plea to EC

By Judy Dempsey in London and Laura Silber in Belgrade

[illegible] will [illegible] European Community [illegible] send monitors [illegible] is one of Yugoslavia's most potentially volatile republics, a senior Bosnian official said yesterday.

EC monitors are already in the republics [illegible] Croatia and Slovenia, [illegible] declared [illegible]pendence from the Yugoslav federation [illegible] June 25.

Mr [illegible] Mahmutcehajic, the deputy prime minister of Bosnia-Hercegovina, [illegible] paramilitary forces were now stepping up their attempts to [illegible] Serbia.

Any break-up of Bosnia-Hercegovina would provoke [illegible] conflict between the republic's three largest ethnic groups, which have co-existed [illegible] fully since the Second World War.

These [illegible] of Mos[illegible] up over 43 per cent [illegible] the [illegible] population, Serbs [illegible] and Croats (17 per cent).

Mr Mahmutcehajic [illegible] Serbs in the west of the republic, which [illegible] Croatia, already controlled [illegible] parts [illegible] border areas.

They also control the [illegible] station in the town [illegible] Banja Luca, broadcasting news only from Belgrade Television, which is censored by the [illegible] leadership.

"Croat [illegible] are fighting Serb rebels from Krajina. However, Serb paramilitary forces from Bosnia-Hercegovina are attacking Croat forces in [illegible]tia," Mr Mahmutcehajic explained.

He [illegible] that the [illegible] the Krajina, a region in south[illegible] Croatia, who earlier [illegible] declared their [illegible]omy from the republic, [illegible] Serbs in northern Bosnia-Hercegovina had almost achieved their goal in forming a corridor linking the Krajina with [illegible] republic of Serbia.

EC monitors [illegible] step up their work as [illegible] EC sponsored [illegible] tomorrow in The Hague.

The monitors, who will number [illegible] than [illegible], have already spent [illegible] past [illegible] days travelling around Slavonia, [illegible] Croatia, a [illegible] which has taken the brunt of attacks by Serb militants and the Yugoslav federal army.

Belgrade radio yesterday reported that "15 [illegible] soldiers and [illegible] Serbian territoral defence [illegible] were killed during overnight battles [illegible] security [illegible] and Serbs in Kusinje, a village two miles outside Pakrac. [illegible] security forces remain in control [illegible] Pakrac, a [illegible] of the Croatian capital Zagreb."

Croatian [illegible] reported that "three Croat soldiers [illegible] killed and nine [illegible] after [illegible] battles in the region of Dalamtia around the villages [illegible] and Jasenice, 60 miles north-west of the Serbian stronghold of Knin."

Armoured vehicles patrol Soweto after yesterday's violence in which six people were killed, taking the death toll since Sunday to 78. Three of the victims were women

Abu Dhabi ruler leads BCCI probe

[illegible] Richard Donkin, in Abu Dhabi

[illegible] KEY Abu Dhabi government department, headed [illegible] an official singled out in a report to *the Bank of England as having* [illegible]e of the fraud [illegible] than 18 months ago, was behind the detention of 36 senior executives of the Bank of Credit and Commerce International at the weekend.

According to one source familiar with the Abu Dhabi financial establishment, Sheikh Zayed bin Sultan al-Nahyan, the ruler, has taken personal control of the handling of the BCCI affair, deciding to move against many of the principal figures in the bank.

These include Mr Swaleh Naqvi, the former chief executive of BCCI, who was among those arrested on Sunday.

As police released 12 of those originally detained, the round-up was being interpreted by some other BCCI managers as a purge of the bank's Pakistani hierarchy and the boldest attempt yet by the [illegible] Dhabi *authorities* [illegible] selves from the scandal.

The list of senior executives held for police questioning was drawn up within the Department of Personal Affairs, headed by Mr Ghanem Faris al Mazrui, the only one of Sheikh Zayed's advisers singled out by Price Waterhouse in their June 22 report to the Bank England as knowing about the fraud.

Mr Mazrui, Abu Dhabi's sole representative on the main board of BCCI, appears to have the complete trust of the Nahyan family.

The Price Waterhouse report alleged he was involved in the illegal inflation of BCCI's share base. His signature also appeared on the confirmation document of a fictitious loan although he had suggested his name might have been forged.

Background [illegible] US hearings....................Page [illegible]

An Abu Dhabi official maintained that the police hit list was drawn up by lawyers and accountants. But a BCCI insider said the main responsibility for compiling the list rested with Mr David Youngman, a former Ernst & Young accountant who now works in Mr Mazrui's department.

Abu Dhabi law allows the detainees to be held for seven days before the police must seek permission from the Ministry of Justice to extend their investigation for 21 days before charges must be laid or the suspects released.

One officer said the biggest surprise among executives had been the detention of Mr Zar Iqbal, the [illegible] chief [illegible] officer [illegible]. As the former [illegible] BCC Emirates, he [illegible] perhaps the [illegible]tionship with the Sheikh of all BCCI's Pakistani bankers.

The police move coincided with a state visit by Sheikh Zayed to France, one of a number of western nations anxious to rebuild its relationship with Abu Dhabi in the wake of the closure action. Some BCCI officers are interpreting the police raid as a deliberate move against the Pakistani hierarchy. Some 160 mainly Pakistani managers are currently serving in Abu Dhabi among a total of 500 staff, mostly clerical grades.

Other officers detained included Mr Bashir Tahir, Mr Selim Siddiqi, Mr Ameer Siddiqi, Mr Iqbal Rizvi, and Mr Imtiaz Ahmed, all members of the first tier.

IAEA to urge stricter nuclear inspections

By Bronwen Maddox in London

GOVERNORS of the International Atomic Energy Agency, meeting today in Vienna, are expected to recommend more intrusive inspection of countries which have signed the Nuclear Non-Proliferation Treaty to help detection of illicit nuclear weapons programmes.

The move is prompted by the IAEA's discovery since the end of the Gulf war that Iraq had breached NPT agreements on a "*massive*" *scale. A signatory of* the NPT, Iraq had agreed not to develop nuclear weapons and to allow IAEA inspection of nuclear facilities.

The agency's success in detecting embryonic nuclear weapons programmes in secretive countries will be under particular scrutiny as the governors are also expected to approve a safeguards inspection agreement negotiated with Communist North Korea after five years of negotiations.

The IAEA inspection team in Iraq discovered that the Bagh*dad regime was pursuing* three parallel ways of enriching uranium, the essential and most difficult step in making nuclear bombs.

While the most developed of the Iraqi enrichment methods, electromagnetic separation, looks primitive by present western standards, it is in essence that used by the US in the 1940s to make the Hiroshima bomb. Enrichment by centrifuges, a method Iraq had nearly made operational before the war, is of western sophistication. The IAEA concluded *that within 18 months Baghdad* could have produced up to 30kg of enriched uranium, enough for a weapon.

The scale of the Iraqi programme, costing an estimated $10bn, went undetected not just by the IAEA but also by foreign intelligence in the war. Ash Shakart, a centrifuge installation north-west of Baghdad, was first bombed only because a pilot was returning with spare bombs from Baghdad, according to the leader of the IAEA inspection team. The main centrifuge pro*duction centre, Al-Farat, south* of Baghdad, escaped entirely unscathed.

Call for task force

Continued from Page 1

Mr Frans Andriessen, EC commissioner for external relations, said that "it's quite clear that the food situation can be crucial this winter. There will be very serious problems." Warning of soaring food prices, Mr Andriessen said: "We see enormous increases in inflation, we see enormous problems in debt servicing. I don't exclude that desperate measures will have to be taken."

Mr Hurd, speaking after meetings with the Soviet and Russian presidents, said no increases would be made in the food aid already committed until the inter-republican committee had established the true extent of shortages.

On longer term aid, he said that the G7 group of industrial countries and the European Community would await the findings of the international financial institutions, including the IMF and the World Bank, before reviewing their present aid packages.

The World Bank is to send a team of officials to Moscow next week to draw up a revised plan of assistance.

Georgia's crusade

Continued from Page 1

annihilation by the Soviet army. But he contradicted this by saying it was also part of a reorganisation which had been planned long before the coup, even though he cancelled the decision when the coup collapsed.

Accusing Mr Gamsakhurdia of doing the bidding of coup leaders in Moscow, Mr Tengiz Kitovani, the former artist who commands the National Guard, took to the hills with his men the day after the coup was launched on August 19. He is now back at his headquarters just outside Tbilisi, waiting for "the politicians to sort out the political problems".

He says his aim is to defend Georgia against those who oppose democracy – in this case the president – and to prevent his men from being used against the people.

Given the large degree of popular support he still enjoys, Mr Gamsakhurdia could cling to power for some time. But his record is unlikely to win international recognition of Georgian independence, which he so desperately wants.

Fall in UK inflation brings hope of rate cut

By [illegible] Johnson, [illegible], in London

A [illegible] in core [illegible] yesterday [illegible] British [illegible]ernment further encouragement on [illegible] and prompted speculation that [illegible] try [illegible] pre-election recovery with [illegible] rate cut.

The Bank of England attempted [illegible] suppress [illegible] expectations [illegible] a [illegible] bank base [illegible] could [illegible] quickly [illegible] last [illegible] surprise half-point [illegible] to 10.5 per [illegible].

Though [illegible] Bank deliberately kept [illegible] market short of funds, [illegible] to prevent the three-month inter[illegible] closing below the current level of interest rates.

[illegible] of an easing in mone[illegible] conditions were ignited by [illegible] underlying inflationary pressures in the economy [illegible]idly.

According [illegible] Central Statistical Office, prices of manufactured goods at the factory gate rose by just 0.1 per cent last month, bringing [illegible] annual rate [illegible] to 5.6 per cent last month, after 5.9 [illegible] in July.

[illegible] the economy is still weak, this is expected to allow the [illegible] to [illegible] base rates [illegible] risking an inflationary upsurge as the economy returns to trend growth levels in the second half of next year.

The output prices index which excludes volatile food, drink and tobacco, and is regarded as the most accurate measure of underlying inflation by most economists and the Treasury, also showed a striking fall. It dropped sharply, to 4.8 per cent, after 5.1 per cent in July, and its *lowest rate since August* 1988.

As industry surveys and statistical evidence point to continuing falls in inflation, analysts expect Friday's retail prices index to confirm the trend and justify last week's cut in rates.

The authorities, however, are thought to be convinced that a further cut should not be made too soon, and the markets expect one to coincide with the opposition Labour party conference in October.

The *annual* rate of the RPI is set to fall by a full 1 point to 4.5 per cent on Friday. Last August's rise in oil prices at the start of the Gulf hostilities will have dropped from the index, and mortgage rate reductions to around 12 per cent will have taken effect.

Liberal democrats, Page 8

Japanese market reforms

Continued from Page 1

also calls for greater transparency in the securities industry.

The key proposal for an independent watchdog is highly controversial, since it would weaken the role of the powerful finance ministry. But the finance ministry could exercise great influence since it would probably be the main source of personnel for any new supervisory unit.

● *Mr Minoru Segawa*, the supreme adviser of Nomura Securities, the Japanese broker, died yesterday at the age of 85. Mr Segawa was president from 1959 to 1968.

THE LEX COLUMN

The board maintains its silence

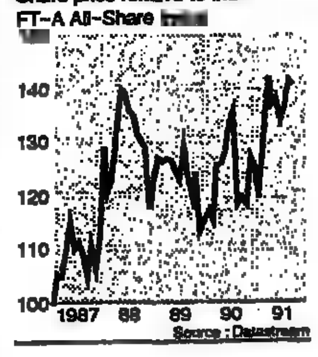
[illegible] successive days [illegible] drift in UK share [illegible] reflect [illegible]nomic confusion as much as political jumpiness. [illegible] recent indicators – [illegible] confidence, retail [illegible] and yesterday's encouraging output prices – seem to be moving [illegible] the right direction.

[illegible] contrast, with the September reporting [illegible] now well under way, [illegible] precious little confirmation from companies [illegible] recovery is being felt [illegible] it really matters. Add to this the prospect of more jumbo rights issues and it [illegible] easy to [illegible] institutions [illegible] be turning [illegible]tious. [illegible] July (the [illegible] month for [illegible] figures are [illegible] they put almost [illegible] much money into gilts as in the first six months of [illegible] com[illegible].

FT-SE Index: [illegible] (-22.4)

Delta

Share price relative to the FT-A All-Share [illegible]



Beazer

The [illegible] to [illegible] Mr Beazer is working for the banks will doubtless become cl[illegible] publication [illegible] the CHB pathfinder prospectus today. Yesterday's statement, though, [illegible] that [illegible] price [illegible] *four-year reprieve includes* [illegible] proceeds from [illegible] the UK housebuilding and other property and [illegible] assets, [illegible] tight [illegible] over [illegible] dividend purse strings.

Few UK investors who [illegible] in the 1980s [illegible] likely to place their faith in the company's obviously [illegible] of US infrastructure spending in [illegible]. Their [illegible] hardly [illegible] by [illegible] reading of the valedictory profit [illegible] loss [illegible]. It is no [illegible] coincidence [illegible] exceptional items – including [illegible] fair value release equivalent [illegible] 25 per [illegible] of pre-tax profits – [illegible] substantially positive, while the net [illegible] [illegible] heavily negative.

Delta

[illegible] 28 per cent first half profits reverse looks like [illegible] alpha performance [illegible] to others of its engineering ilk – but [illegible] market took a distinctly gamma-minus view of its merely maintained [illegible] dividend. That is [illegible]. A likely year-end [illegible] times [illegible] better obviously [illegible] scope to be more generous – but it is surely wiser to take that decision in early 1992 when there should be tangible signs of recovery in its main businesses, rather than now when there are virtually none. Far from being criticised for miserliness, Delta should be applauded [illegible] the [illegible] of pru[illegible] that has been conspicuous by [illegible] absence in other boardrooms.

The good [illegible] from yesterday's [illegible] this year's drastic volume reductions – in some product [illegible] as much as 40 per cent – [illegible] to a halt. Costs [illegible] been attacked – [illegible] 20 [illegible] disappearing in [illegible] half years – so [illegible] a genuine operational gearing [illegible].

The question [illegible] how quickly [illegible] will [illegible] how [illegible] margins will [illegible] rebuilt in [illegible] light [illegible] aggressive pricing from the likes of the privatised electricity [illegible]panies.

There [illegible] solid [illegible] of institutional support for the shares, but with full-year profits unlikely [illegible] be much more [illegible] six months,the upside [illegible] limited [illegible] the moment. Tangible evidence [illegible] justify [illegible] rating [illegible] inspired acquisition in Europe [illegible] US would help.

Arjo Wiggins

Arjo [illegible] Appleton's interim resul[illegible] were greeted by [illegible] 6 per cent fall in its shares, but that has to be be seen against [illegible] near 50 per cent outperformance since [illegible] floated just over [illegible] year ago. [illegible] that the shares have been [illegible] on [illegible] eventual [illegible] growth from the merged companies, talk of a second half slowdown was slightly unnerving. AJA has joined the likes of [illegible] & Colman and Burmah Castrol in that the operational benefits of takeover or merger have bee[illegible] postponed or reduced by the recession, leaving the companies reliant on cost-cutting for the moment.

All the same, it is hard to ignore the 12 per cent increase in interim operating profits from AWA's paper manufacturing b[illegible] and the 1 per cent increase in group operating margins.

Appleton in [illegible] US grew its operating profit by 27 per cent, benefiting from Boise Cascade's withdrawal from carbonless paper. Management has not made any obvious false moves.

It all suggests that if expensive problem areas such as eucalyptus pulp manufacturing in Spain and the minority interest in a Portuguese pulp mill can be resolved, the group will be able to justify its initial hopes for the merger. News that Soporcel [illegible] Portugal is once again close to disposal might counter yesterday's disappointment a little. Assuming £250m this year, the shares are [illegible] multiple just below the market average; that seems about right.

Water sector

The gove[illegible]'s attempts [illegible] the UK's [illegible] as the dirty man [illegible] Europe is having [illegible] curious effect in the water sector. Thanks to the so-called Patten proposals (which in March last year pre-empted the more embarrassing bits of the EC waste water directive) and to a deal made a few months [illegible] by [illegible] government to avoid prosecution for foul beaches, [illegible] industry [illegible] under [illegible] to accelerate [illegible] capital spending programme.

However, the burden falls very unevenly across the sector, mainly [illegible] West [illegible] and Southern Water. The imbalance could yet affect the wider debate on price setting in the water industry. So far, Southern has dragged its feet, but South West has said it intends bringing forward expensive improvements to its long sea waste outfalls. It will be spending up to £220m extra this year, equivalent to 40 per cent of its entire capital programme to 1995.

It could find the money by postponing other projects, but is expected instead to ask permission from the regulator to pass on the extra costs to its customers in the form of higher prices. Ofwat will be reviewing South West's application while it is simultaneously bearing down on the prices of companies such as Welsh and Severn Trent. If even one of those companies tries to tough it out, the regulatory regime will face its biggest test yet.

WORLDWIDE WEATHER

City		°C	°F
Ajaccio	S	28	82
Algiers	S	33	91
Amsterdam	S	22	72
Athens	F	24	75
Bahrain	S	33	91
Bangkok		–	–
Barcelona	S	29	84
Beirut	S	29	84
Belfast	S	18	64
Belgrade	F	21	70
Berlin	S	22	72
Biarritz	S	29	84
Bombay	Dr	28	82
Bordeaux	S	29	84
Boulogne	S	24	75
Brussels	F	25	77
Budapest	S	22	72
Buenos Aires		–	–
Cairo	S	35	95
Cape Town	S	17	63
Caracas		–	–
Casablanca	S	25	77
Chicago	S	21	70
Cologne	S	25	77
Copenhagen	F	18	64
Corfu	S	27	81
Dallas	S	22	72
Dublin	F	17	63
Dubrovnik	S	24	75
Edinburgh	F	19	66
Faro	S	25	77
Florence	S	28	82
Frankfurt	S	25	77
Geneva	S	28	82
Gibraltar	S	27	81
Glasgow	C	16	61
Helsinki	R	13	55
Hong Kong	S	32	90
Innsbruck	S	25	77
Inverness	F	14	57
Islamabad		–	–
Istanbul	F	21	70
Jakarta		–	–
Jersey	S	24	75
Johannesburg	S	25	77
Lima		–	–
Lisbon	F	25	77
London	C	21	70
Los Angeles	S	17	63
Luxembourg	S	24	75
Madeira	F	25	77
Madrid	S	29	84
Majorca	F	30	86
Malaga	S	30	86
Malta	F	28	82
Manchester	S	21	70
Manila		–	–
Melbourne	R	11	52
[illegible] City		–	–
[illegible]	F	26	79
Milan	S	24	[illegible]
Montreal	C	17	[illegible]
Moscow	C	12	[illegible]
Munich	S	27	[illegible]
Nairobi	S	28	[illegible]
Naples	F	27	[illegible]
Nassau			
New Delhi	S	[illegible]	86
New York	F	[illegible]	73
Nice	S	[illegible]	79
Nicosia	S	29	84
Oporto	F	25	77
Oslo	F	17	63
Paris	S	28	82
Peking	C	22	72
Prague	S	22	72
Reykjavik	S	8	46
Rhodes	S	25	77
Rio [illegible]		–	–
Rome	S	27	81
Salzburg	S	26	79
San Francisco	S	12	54
Seoul	F	27	81
Singapore	F	31	88
Stockholm	C	15	59
Strasbourg	F	27	81
Sydney	R	17	63
Taipei		–	–
Tangier	S	29	84
Tel Aviv	S	30	86
Tenerife	S	27	81
Tokyo	C	26	79
Toronto	C	22	72
Tunis	S	30	86
Valencia	F	29	84
Venice	S	25	77
Vienna	S	23	73
Warsaw	F	19	66
Washington	F	21	70
Zurich	S	25	77

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–[illegible] Sl–Sleet Sn–[illegible] T–Thunder

WORLD CAR INDUSTRY

Wednesday September 11 1991

After stumbling in 1991, world car sales are forecast to recover in 1992, but producers and their suppliers face unprecedented challenges through the 1990s. **Kevin Done** looks at growing trade conflicts as Japan consolidates its position in the US and Europe

Roads ahead look rough

CAR MAKERS in North America, Europe [redacted] Japan are operating in an increasingly harsh financial climate. They face heavy losses particularly [redacted] the US, where [redacted] assailed by fierce competition and [redacted]

In Europe the pattern of demand is precariously balanced. Several volume markets [redacted] by the UK, Spain and France, have [redacted] deeply by plunging sales. In stark contrast, record demand in Germany fuelled by unification, has created an unprecedented order backlog, with which car makers have been unable to keep pace. However, the German industry is warning that demand can hardly continue much longer at such overheated levels.

[redacted] have [redacted] in Japan [redacted] years [redacted] buoyant growth and the profits of some leading [redacted] makers are slipping, although they have still to confront problems on the scale of their American and European rivals. The US big three, [redacted] Motors, Ford [redacted] Chrysler, were all deep in loss in the first half of the year.

After stumbling in 1991, world car sales are forecast to stage a recovery in 1992, but [redacted] producers and their suppliers still [redacted] unprecedented and expensive challenges through the 1990s.

■ Environmental regulations are being toughened [redacted] costly [redacted] for still-lower [redacted] while regulations governing improved fuel economy and [redacted] recycling of old cars appear unavoidable.

■ [redacted] regulatory developments in the US virtually [redacted] will play [redacted] increasingly important role on the roads [redacted] North America, [redacted] probably [redacted] world, be[redacted] end.

Twelve US [redacted] are now considering following California into adopting stringent clean air legislation, part of which would require "zero emission vehicles" (ZEVs) to form a small but increasing proportion of car makers' total sales from the late 1990s.

■ The most dynamic long-term growth in car sales is forecast for [redacted] where many [redacted] today's leading [redacted] barely represented – in [redacted]ern Europe and in Asia (excluding Japan). The opening up of such markets is happening against a background of considerable political and economic uncertainty, heightening the investment risks.

■ Investigations in Europe of car makers' pricing policies in different markets is threatening to undermine the industry's long-standing [redacted] distribution [redacted] and could [redacted] a revolution in the [redacted] in the [redacted] retailed.

■ The [redacted] development [redacted] by [redacted] Japa[redacted] appears [redacted] be [redacted] As model life cycles are reduced the battle by European [redacted] US [redacted] match the leading "lean" producers [redacted] intensifying. The gap in productivity, efficiency and quality between the world's leading car makers remains alarming, however, as the battle takes on a global dimension.

■ The focus of Japanese competition is moving to Europe, where the spectre of [redacted]capacity, already [redacted] reality in North America, [redacted] Japanese car [redacted] first [redacted] of transplant (local [redacted] plant) [redacted]

[redacted] of [redacted] Japanese car [redacted] in North [redacted] Europe [redacted] fuelling [redacted] protectionist [redacted] particularly [redacted]

The big three US car makers have broken with tradition by joining [redacted] lobby the [redacted] government [redacted] the [redacted] car industry.

[redacted] this [redacted] Mr [redacted] Stempel, [redacted], Mr [redacted] Poling, chairman of Ford, [redacted] Mr [redacted] of Chrysler, made a joint lobbying visit to Washington for the first time [redacted] nearly a [redacted]. In a [redacted] George [redacted], Mr Iacocca claimed [redacted] US car industry was "confronting [redacted] serious problem [redacted] threatens our survival".

Apparently [redacted] little [redacted], the US car producers ha[redacted] sought a "temporary [redacted] standstill" [redacted] Japanese car [redacted] in [redacted] US, [redacted] now [redacted] per [redacted]. Mr [redacted] has voiced [redacted] the [redacted] share [redacted] reach "40 per [redacted] unless they [redacted] kind [redacted] restraint.

"At [redacted] share of 40 per cent in a depressed industry Chrysler is [redacted] and Ford could be mortally wounded from [redacted] competitive standpoint," [redacted] Iacocca. "[redacted] GM is [redacted] risk [redacted] as [redacted] industry [redacted] strategically important [redacted] try [redacted] to [redacted] Japan's [redacted] strategy [redacted] targeting [redacted] industries."

[redacted] big [redacted] have [redacted] by [redacted] dumping charges against Japanese [redacted] and similar charges could [redacted] against Japanese luxury cars.

In Europe, Japan and [redacted] European Community [redacted] recently ended [redacted] wrangling over trade in cars in [redacted] single European [redacted] after 1992, [redacted] scepticism remains on [redacted] the [redacted] July will [redacted] practice, [redacted] fully liberalised after [redacted]

Interpretations [redacted] among EC [redacted] are already far apart [redacted] UK [redacted] that it [redacted] absolutely no limit on the build-up [redacted] Japanese assembly capacity in Europe, while protectionist voices in [redacted] and Italy claim privately that [redacted] have been agreed.

A process of six monthly monitoring [redacted] Japanese [redacted] exports [redacted] beginning in 1993, [redacted] by [redacted] and Tokyo. The monitoring is to be [redacted] throughout the planned [redacted]. It [redacted] likely [redacted] provide fertile ground [redacted] repetition [redacted] the protectionist debate, [redacted] perception grows [redacted] the [redacted] being inflicted [redacted] the [redacted]pean motor industry by increasing Japanese sales and the expanding Japanese share of the European market.

While the 1980s was the [redacted] in [redacted] the Japanese [redacted] makers [redacted] on building their production [redacted] in [redacted] America, the [redacted] in [redacted] they [redacted] switching [redacted] to Europe.

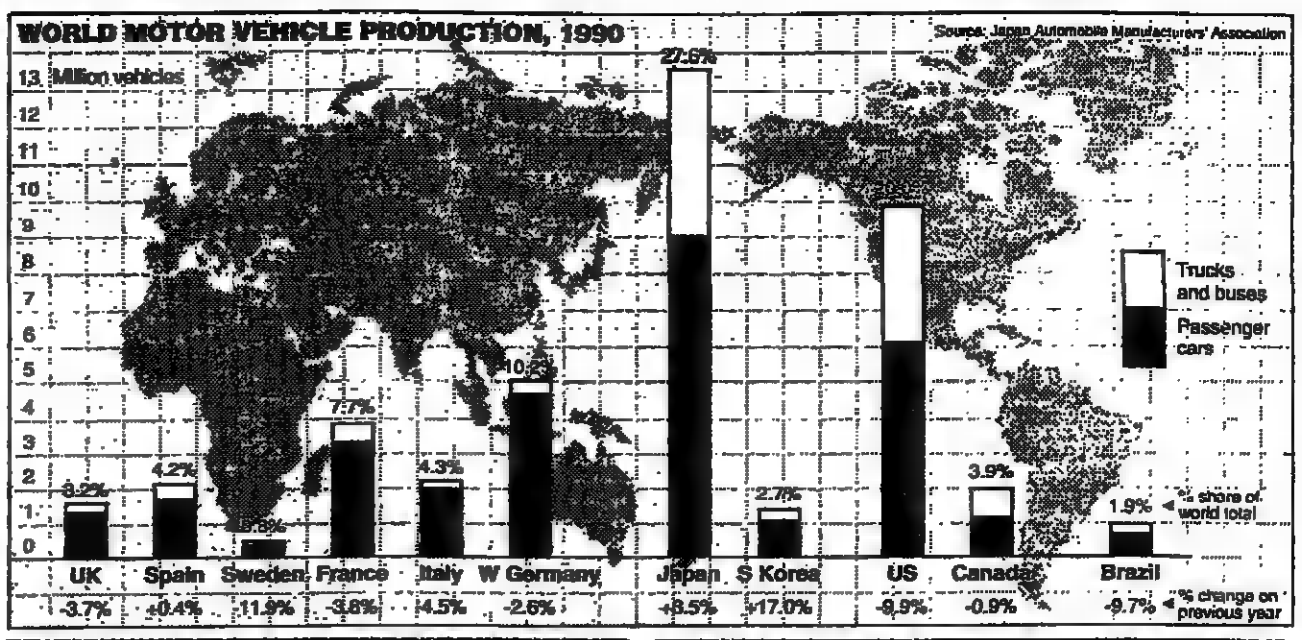
[redacted] has [redacted] producing cars in the UK since 1986. Volumes [redacted] first, [redacted] output should [redacted] 120,000 [redacted] and will grow [redacted] 220,000 in [redacted] year production begins [redacted] Toyota [redacted] Honda's [redacted] European [redacted] assembly plants – both [redacted] in the UK, which Mr Jacques Calvet, the protectionist chairman of Peugeot [redacted] France, [redacted] variously called "a Japanese aircraft carrier off the coast of Europe" and "Japan's fifth largest island". Honda also [redacted] 20 [redacted] cent of Rover, the [redacted] car maker.

Late [redacted] month Mitsubishi [redacted] finalised a deal with Volvo of [redacted] and the Dutch [redacted] a joint venture in the Netherlands with [redacted] aim [redacted] producing 200,000 cars a [redacted] half of [redacted]. Suzuki [redacted] in Spain [redacted] is planning [redacted] cars in Hungary, which leaves only Mazda [redacted] the leading Japanese [redacted] makers still [redacted] arrange [redacted] entry into manufacturing in Europe.

As [redacted] harbinger of another line of [redacted] Honda and [redacted] have started [redacted] ship [redacted] Europe from assembly plants established in [redacted] in [redacted]

Japanese [redacted] makers have [redacted] 11.6 per [redacted] of the [redacted] European market, [redacted] they can achieve [redacted] unprotected European mar[redacted] pro[redacted] already [redacted] they captured a 5.1 per [redacted] "restricted" European markets [redacted], they controlled [redacted] 30 per [redacted] of the "open markets".

With [redacted] disturbing competitive advantage in manufacturing productivity, the effective[redacted] of [redacted] model development and the [redacted] and variety [redacted] new model offerings they pose a [redacted] challenge.



Can [redacted] new VW Golf remain Europe's best-seller . . .

. . . in competition with [redacted] new Opel/Vauxhall [redacted]

IN THIS SURVEY

[redacted] Roy Terry

Kevin Done looks at UK prospects

Japanese march in to expand capacity

THE [redacted] are supposed to [redacted] the decade [redacted] opportunity for [redacted] motor industry [redacted] Britain.

More [redacted] assembly capacity is under construction than anywhere [redacted] in Europe, and by [redacted] output [redacted] to be more [redacted] double [redacted] crisis level of the early 1980s. As the Japanese carmakers march in, component suppliers [redacted] previously shunned manufacturing in the UK are *following* [redacted] *their* [redacted]

In [redacted] short term, however, [redacted] industry could be forgiven for thinking that [redacted] slipping back into the [redacted] days of the late 1970s and early 1980s. The decade has begun with [redacted] steepest [redacted] into recession [redacted] the war.

After [redacted] successive record [redacted] from 1985 to 1989, UK new car sales have fallen ominously. Registrations last year were down by 12.7 per cent – admittedly from a record level – and sales have plunged by a further 25 per cent in the first seven months this year, a period in which registrations were 33 per cent lower than two years ago. UK producers have [redacted] a fall in new [redacted] sales to around 1.55m this [redacted] from [redacted] a record 2.3m in 1989.

The UK motor [redacted] and industry [redacted] facing a further 40,000 job losses by next summer, bringing the total to [redacted] mid-1990, according [redacted] Society [redacted] Manufacturers and Traders, [redacted] UK [redacted] industry [redacted] association. At [redacted] *time*, the Retail Motor Industry Federation believes that 800 franchised dealers will have been forced out of business by *mid-1992 as a result of the decline in the* car market.

Among UK car makers Jaguar, the luxury car prod[redacted] tak[redacted] over by Ford of [redacted] for £1.6bn [redacted] end of 1989, has been one of the hardest hit, as it has suffered the impact of the recessions in both the UK and in the US, its [redacted] most important markets [redacted]

It is being forced to make severe cuts in its [redacted] and job losses in the second half of this year mean that Jaguar will have [redacted] its [redacted] by 30 per cent in 12 months to less than 8,500. Jaguar output is expected to fall by 40 per cent to less than 25,000 this year, the lowest level since 1982 and less than half the peak level of 51,939 reached in [redacted] Sales worldwide plunged by [redacted] per cent in the first seven months to 14,808.

A £66m [redacted] Jaguar, coupled with the financing costs [redacted] the very expensive takeover, helped to push Ford [redacted] Britain, now [redacted] Jaguar parent company, into [redacted] £274m pre-tax loss last year, compared with a pre-tax profit of £483m in 1989, the first loss suffered by Ford in Britain since 1971.

Ford [redacted] cutting its UK [redacted] and other carmakers, including Rover, Peugeot-Talbot and Rolls-Royce [redacted] Cars, are also [redacted] labour in [redacted] of the [redacted] downturn in [redacted]

Surprisingly, [redacted] output in the first seven months of 1991 [redacted] was actually 7 per cent higher than in the corresponding period [redacted] although it was still [redacted] per [redacted] the level of two years ago. UK car production has been supported by [redacted] unexpectedly strong growth [redacted] export markets, although [redacted] SMMT [redacted] recently that the rate of growth in exports will slow significantly in the final months [redacted]

Ford, Rover, General [redacted] (Vauxhall) and Nissan have [redacted] sharply increased exports this year, partly in [redacted] to [redacted] big jump in [redacted] demand in Germany. Production of cars for export in the first seven months rose by 109.5 per cent to 373,442 from 178,255 [redacted] year ago, while output for the domestic market fell by 25.3 per cent to 422,992.

Production at [redacted]'s plant at Sunderland in [redacted] England, the first Japanese car assembly operation in Europe, which [redacted] in 1986, is now rising quickly and is expected to reach 120,000 compared [redacted] in [redacted]

A further boost will be received next [redacted] when Nissan begins output of a [redacted] at the plant [redacted] full capacity of 220,000 [redacted] year could be reached in 1993.

The export programmes at Vauxhall (*the UK subsidiary of General Motors*) and Ford, which stem from changes in sourcing policy by GM and Ford's European operations, have helped to cushion assembly plants at Luton and Ellesmere Port (Vauxhall) and Dagenham [redacted] from the impact of the recession.

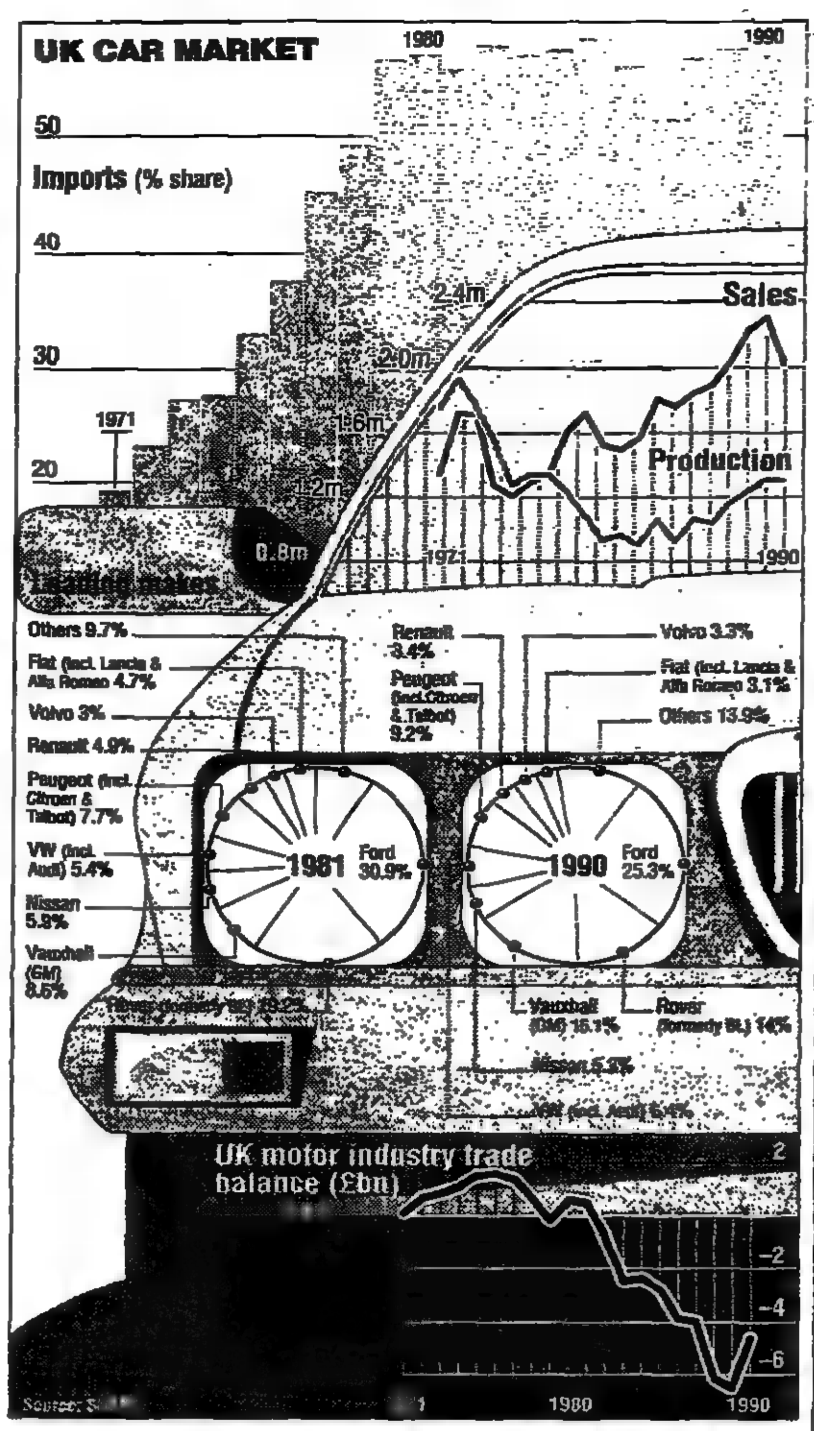
One benefit from the recession has [redacted] unexpectedly rapid [redacted]ment in the UK motor industry trade balance, which has languished in deficit for most of the 1980s. In the first six months [redacted] per cent to only £617m from £2.997bn a year ago. The value of UK motor industry [redacted] by 18 per [redacted] to £5.474bn, while the value of imports fell by 20 per cent to £6.091bn.

[redacted] improvement has been driven [redacted] recession, [redacted] has sharply depressed imports of new cars and commercial vehicles, [redacted] by [redacted] improvement in exports.

In spite of the retrenchment brought on by recession, the accent through the 1990s in the UK car [redacted] sectors is still expected to be firmly on expansion with optimistic forecasts suggesting a leap in UK car assembly capacity from 1.7m in 1989 to 2.7m-2.8m by the end of the decade.

The [redacted] prospects [redacted] being transformed by [redacted] wave of inward [redacted] by Japanese [redacted] makers into the UK. [redacted] appears certain that by the second half of the 1990s Japanese [redacted] will [redacted] directly for around [redacted] third of UK production of some 2m units [redacted] year, helped by total planned investments of [redacted] £1.8bn that have already [redacted]

- Nissan will build more than 200,000 cars [redacted] year at its £700m Sunderland plant by 1992-93. Nissan is also investing in UK R&D facilities.
- Toyota [redacted] committed [redacted] building 100,000 cars a year by late 1995, rising to 200,000 cars a year by [redacted] at Burnaston, near Derby. It is investing £840m in car assembly and engine plants.
- Honda is committed [redacted] building 100,000 cars [redacted] year by 1994 at its £350m Swindon assembly and engine plant. At the same time Rover is producing up to 40,000 Honda [redacted] a [redacted] its Longbridge Birmingham plant. Honda [redacted]lds [redacted] 20 per cent equity stake in Rover's vehicle operations.



GERMANY

A powerful impetus

THE ADDITION [redacted] the car-hungry east German market has given west Germany's motor industry a powerful and timely impetus [redacted] time [redacted] sales in other countries [redacted] mostly slowing down.

[redacted] only has German unification [redacted] to higher sales [redacted] western cars in the east, but it has [redacted] Germany's second-hand car mar[redacted] thus helped [redacted] car sales. With used [redacted] showing increases of up to 30 per [redacted] *a result of* [redacted] from [redacted] east, [redacted] temptation for west Germans to sell their [redacted] and buy new ones has been immense.

Without the powerful impulse from Germany's five [redacted] states, in [redacted] which modern car plants are being built by Volkswagen and Opel, the car industry would be much less buoyant.

Since [redacted] high proportion of the western German car industry's [redacted] go [redacted] foreign [redacted]kets, the steep deterioration in export [redacted] is [redacted] cause for [redacted] In [redacted] 1991, [redacted] exports slumped by [redacted] to 1.24m units. Total output, [redacted]ever, *was up by 4 per cent to* nearly 2.9m cars as the [redacted]tic market kept on growing.

Sales also spurted in this *period. Some of the domestic* sales improvement in July was caused by a concentration of buying just before the ending [redacted] *concessions on pur*[redacted] of cars using lead-free petrol. [redacted] car registrations in [redacted]estern Germany shot up by 33 *per cent* in January-July to [redacted] cars; in July, [redacted] was 64 per cent over the same [redacted] and [redacted] per [redacted] up [redacted] June [redacted]

The fervent hope among car industry executives is that by the time domestic growth tails [redacted], as [redacted] inevitably must, foreign markets will have picked up. In Europe, [redacted] Capel, the UK stockbrokers, "the phenomenal strength of the German market is at the [redacted] exactly [redacted]pensating for the weakness of other markets, and all produc[redacted] are attempting [redacted] their sales into Germany [redacted] advantage [redacted] the boom".

For the full [redacted] James Capel expects car sales to show an increase of 20 per cent to 3.93m units, equivalent to 30 per cent [redacted] total [redacted] European market, against 24.5 per cent in 1990. But the pace will slow in the second half [redacted] *a result of consumer tax rises* (including petrol) [redacted] help pay for unity, rising unemployment in eastern Germany, and [redacted] *that demand was already* high in the second half of last year. It expects a rise of 10 per cent in [redacted] third quarter and [redacted] 5 *per cent decline in the fourth* quarter.

Next year, Capel reckons the German market will drop by about 7 per [redacted] For [redacted] car [redacted], the [redacted] bonanza could not have come [redacted] time. It has enabled them to offset the [redacted]ect of slowing sales elsewhere, particularly in the UK and Spain and in the US. But the volume producers like VW and Opel (part [redacted] General [redacted] of [redacted] US) have been unable to produce enough cars to meet total German demand.

Thus importers have also benefited from rising sales in the enlarged market. Last year, says the German motor industry association (VDA), imports accounted *for nearly a third of* the domestic market, with new regist[redacted] of French cars showing a rise of 20 per cent and the Japanese adding 11 per cent. If the cars made by Ger[redacted] producers abroad – as in Spain or Belgium – are included, the import [redacted] to 38 per cent.

Unification has increased sales of cars in the [redacted]

[redacted] west Germany has traditionally [redacted] an open market, the import share has tended to be higher than in neighbouring European markets, with the Japanese estab[redacted] a strong foothold. But pressures from outside are now increasing [redacted] producers are well aware that they will be forced to compete even more effectively for the [redacted] 1990s, especially against Japan.

After 1992, [redacted] will be opened up [redacted] widely [redacted] out[redacted] competition, though [redacted] at once. The Japanese will [redacted]viously make increasing use [redacted] this [redacted]rtunity, having already begun to sell their new luxury models on the European [redacted] in additi[redacted] their constantly evolving family and sports car ranges. With German labour costs higher *than in Japan* and most European countries, and working hours shorter, the going will become rougher, warns the VDA.

[redacted] the German advantages of high quality, reliability and performance will *become eroded*. Car and parts producers have [redacted] bitterly about the pay [redacted] of around 7 per cent agreed in the engineering industry this year. Companies are buying an increasing volume of components in lower-cost countries abroad, or shifting output of some products – as in the case of Robert Bosch, the components maker – overseas where output is cheaper.

Germany's two big luxury car makers, Mercedes-Benz and BMW, are well aware that the Japanese have not been idle in [redacted] and that [redacted] will have to strain to the utmost to keep profits at levels high enough to finance the high *development costs of new* cars. [redacted] recently brought [redacted] costly S-class executive model [redacted] the top of *the range*, and is *charging a* higher price for the car. But all the range will come under increasing pressure.

BMW has just produced the latest generation of its successful 3-series at the lower end of its range. Demand has been high and the waiting lists are long. But the company is concerned that if Japanese rivals pitch the [redacted] of [redacted] new [redacted] low, this will [redacted] into BMW's profit margins; these depend on the company's ability to offer a variety of style and equipment options within its basic model range, for which it is able to charge premium prices.

[redacted] nearly 800,000 employees, the German motor industry plays a vital role in the German economy. As the VDA [redacted] to maintaining competitiveness lies in [redacted] far, the German companies have coped with [redacted] high costs, not [redacted] by producing some highly [redacted]e cars [redacted] keeping their performance and environmental standards high. The [redacted] on them to continue doing just that.

Andrew Fisher

Worldwide new car sales are expected to decline by 3.3 per cent

Prepare for rising demand in less developed countries

WORLDWIDE new car sales are expected to decline by 3.3 per cent this year to 34.4m from 35.6m in 1990, the sharpest downturn since the second oil shock caused sales to collapse in 1980.

According to the world automotive forecast report by DRI/McGraw Hill[1], new car demand in the previously strong markets of western Europe and Japan will drop by 2.2 and 3.2 per cent respectively, while new car sales in North America are likely to fall for the third successive year, this time by 7 per cent.

DRI suggests the depression in the world industry is likely to lift towards the end of 1991, however, as the rapid resolution of the Gulf crisis leads to a gradual recovery in business and consumer confidence.

It forecasts global car sales will grow by almost 5 per cent in 1992 with further steady growth averaging 3.3 per cent a year from 1993 to 1995.

The downturn in western Europe, which has already had a severe impact on the profitability of several leading European car makers, has been softened by the strength of car sales in Germany in the wake of re-unification.

In 1991 car registrations in former East Germany are included in the western European figures for the first time and thus have a distorting effect on the market.

Without sales in eastern Germany, DRI suggests new car registrations in western Europe would be 4.3 per cent lower this year than in 1990. Excluding Germany, western European sales are likely to be around 5 per cent lower this year.

According to the DRI forecast, the surge in new car sales in Germany will weaken significantly in the second half of the year, and sales in western Germany are forecast to fall by around 6 per cent in 1992 before recovering in 1993-95.

After the "disastrous" decline in UK new car sales in 1990 and 1991, with short-term prospects having weakened since the Budget, DRI suggests that sales could recover to around 1.9m next [redacted] in what will probably [redacted] an election year. The 1992 total would still be [redacted] second [redacted] since 1987, however.

DRI says that the recovery in the UK will be slow with the return to a [redacted] market not expected before 1994 at the ear[redacted]

South Korea will remain one of the world's fastest growing new car markets, having more than doubled in volume since 1987. The market is forecast to reach a new peak of 675,000 this year.

DRI suggests that, notwithstanding the impact of higher automobile related taxes, South Korea will achieved average growth of 9.4 per cent a year and will be close to being a million unit car market by 1995.

WORLD CAR SALES FORECAST (000s)*

	[redacted]	1990	1991	1992	[redacted]
WORLD TOTAL	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Germany**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Italy	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
UK	2,301	2,009	1,700	[redacted]	[redacted]
France	2,274	2,309	2,131	2,377	[redacted]
Spain	1,124	982	895	983	1,337
EC total	12,261	12,154	[redacted]	[redacted]	[redacted]
Western Europe total	13,415	13,197	[redacted]	[redacted]	14,739
Eastern Bloc total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
US	[redacted]	[redacted]	[redacted]	[redacted]	10,103
North America total	10,855	[redacted]	[redacted]	[redacted]	[redacted]
Japan	4,404	5,103	4,941	[redacted]	[redacted]
South Korea	500	604	675	734	[redacted]

WORLD CAR PRODUCTION FORECAST (000s)*

	1989	1990	1991	[redacted]	[redacted]
WORLD TOTAL	[redacted]	[redacted]	[redacted]	36,341	[redacted]
Germany**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
France	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
UK	1,229	1,296	1,277	1,370	[redacted]
Italy	[redacted]	[redacted]	1,776	[redacted]	[redacted]
Spain	[redacted]	1,679	[redacted]	[redacted]	[redacted]
EC total	[redacted]	[redacted]	[redacted]	13,199	14,713
Western Europe total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Eastern bloc total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
US	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
North America total	7,873	[redacted]	7,023	7,572	7,951
Japan	[redacted]	[redacted]	9,577	[redacted]	[redacted]
South Korea	860	[redacted]	1,031	1,181	[redacted]

*1989-90 actual, 1991/95 forecast; ** From 1991 Germany total [redacted] East German states. Source: DRI World Automotive Forecast Report

The depression in the industry is likely to lift at the end of 1991

In spite of the present dip in worldwide vehicle demand, in a longer perspective sales and production [redacted] still [redacted] for strong growth according to the World Vehicle [redacted] gic Review And Forecast Databook[2], an ambitious study published last month by Euromotor Reports. It forecasts that worldwide [redacted] sales will jump by more than 50 per cent in the next 20 years to [redacted] 74.7m in [redacted] compared with the 49.3m vehicles sold last year.

According to [redacted] report, nearly a third of the growth or 8m units would be accounted for by the net increase in sales in the Asian region, excluding Japan. Asian vehicle sales will approach 12m units in 2010, an increase of almost 200 per cent from 1990 levels.

The most remarkable growth [redacted] are [redacted] Korea, [redacted] are [redacted] to 3.4m in 2010 from 977,000 last year. The study says that sales in South Korea will accelerate at such a [redacted] the national vehicle fleet [redacted] jump from 3.2m in 1990 to 24.8m [redacted] 2010.

The next most important Asian market will be China, where sales in 2010 are forecast to total 2.6m, a 248 per cent increase from 1990. As in South Korea, these sales will chiefly be met by domestically [redacted] duced vehicles, creating "immense" demands for [redacted] design and tooling services, claims the Euromotor Report.

Strong growth is also forecast in eastern Europe where annual vehicle sales volumes [redacted] expected [redacted] an [redacted] in the next 20 years compared with a rise of 4m in western Europe. With vehicle sales rising from 3.8m units in 1990 to 8.1m in 2010, the eastern European region is set to be come a very important motor vehicle market. The study forecasts sales in western Europe in the same period climbing from 14.9m in 1990 to 18.9m in 2010.

Hitherto, [redacted] a phenomenon of the western world. Last year west[redacted] for 79 per cent of all vehicle sales and 76 per cent of the world vehicle fleet for only 15 per cent of the [redacted] population, [redacted] the study.

It [redacted] that [redacted] less developed countries will gain massively in importance as vehicle mark[redacted] in the next 20 years.

The outlook for 2010 is for more than a third of the world's vehicle sales (35.5 per cent) to be made in the less developed countries, more than triple the share they had in 1960.

The report says that sales rates of vehicles in the less developed countries are lagging those in the more developed countries by around 35 years. The more developed countries absorbed 13m [redacted] a [redacted] reached [redacted] the less developed countries in 1995.

The report warns western car makers to maintain and build their strategic positions in the less developed countries as "by far the majority of the rising demand in the less developed nations will be met by local assembly and or manufacture".

In the more developed countries, car sales in the next 20 years are forecast to increase by 40 per cent and commercial vehicle sales by 62 per cent.

The study warns that the numbers of vehicles needing to be scrapped in 2010 will be "immense on a global basis".

"Underlying the worldwide sales in 2010 of almost 75m cars and commercial vehicles will be the scrapping of some 55m vehicles. This is double the number scrapped as recently as 1985 and a 70 per cent increase from the more than 32m vehicles that went to auto graveyards in 1990.

"The forecast scrap rate only 20 years from now – 220,000 vehicles every working day – has immense implications for the global infrastructure that deals with the recycling of vehicles and their components and materials."

1 World Automotive Forecast Report, DRI Europe, Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London SW19 3RU.

2 The World Vehicle Market Strategic Review and Forecast Data Book, Report no.005, Euromotor Reports Ltd, 105/106 New Bond Street, London, W1Y 9LG. Price £995.

Kevin Done

The European road is bumpy

Battleground of the industry

EUROPE is becoming the main battleground in the world automotive industry in the 1990s with Japanese car makers set to increase rapidly their market share with the build-up of local production.

The agreement by the European Commission and Japan at the end of July on the issue of Japanese car sales in Europe, appears effectively to have frozen to the end of the decade the level of direct exports of cars and light commercial vehicles from Japan to the EC.

The agreement, reached only after years of negotiations among EC member states themselves as well as between Brussels and Tokyo, suggests a level of direct imports from Japan in 1999 of 1.23m vehicles (cars [redacted] light commercial [redacted] tonnes) compared [redacted] 1.24m [redacted]

The [redacted], however, [redacted] Japanese [redacted] up significantly the volume [redacted] transplants. Japanese plants [redacted] Europe, [redacted] no [redacted] being placed [redacted] on Japa[redacted] free [redacted] European-built Japanese [redacted] in [redacted] munity. Japanese [redacted] ers [redacted] export cars [redacted] US [redacted] Europe [redacted] ceiling.

[redacted] the deal [redacted] announced [redacted] it had [redacted] output [redacted] Japanese [redacted] Europe [redacted] rise to 1.2m by [redacted]. Already [redacted] interpretations of [redacted] agreement have begun to differ greatly, however, with London insisting no limit has been set on the level of transplant production, while French car makers appear [redacted] 1.2m [redacted] a ceiling.

The [redacted] Intelligence Unit forecast recently that Japanese vehicle manufacturers could produce more than 1.8m vehicles a year in Europe by 1999, including cars and light commercial vehicles, compared with 257,000 in 1990.

Under the deal between the European Commission and the Ja[redacted] Ministry of International [redacted] Industry, Japan will monitor exports to the EC in accordance with a forecast level [redacted] exports in 1999 of 1.23m, based on an assumed level of demand in the EC of 15.1m (cars and light commercial vehicles) in that year.

Most analysts consider sales will easily exceed this level by 2000, however, as the EC forecast suggests only a minimal growth of 0.8 per cent a year from the 13.946m vehicles (cars and light commercial vehicles) achieved in 1989.

Included in the overall export figure of 1.23m are subceilings for exports to the five EC states – France (150,000), Italy [redacted], Spain (79,000), Portugal (23,000) [redacted] the UK (190,000) – which now impose national curbs on Japanese car imports.

The five EC [redacted] have promised to end their national restrictions by the end of 1992, by when the [redacted] will also have introduced single-type approval [redacted] therefore greatly simplifying the engineering of cars for sale in Europe by allowing common specification [redacted]

From [redacted] until [redacted] of the century it will be up to the Japanese [redacted] flow [redacted] their [redacted] exports, following [redacted] The aim [redacted] deal [redacted] EC [redacted] fully [redacted] from [redacted] end of [redacted] decade.

Last year, Japanese car registrations in western Europe increased by 5.6 per cent to 1.54m in a total market of 13.2m representing a market share of 11.7 per cent. In the EC the market share was 10 per cent compared with 30 per cent in the Efta [redacted]

Even [redacted] the full Japa[redacted] on the [redacted] market, [redacted] of the tradi[redacted] European [redacted] have found [redacted] on a bumpy road into the 1990s.

For half a decade the European car industry had enjoyed five successive years of record car sales in western Europe up to the end of 1989. In the past two years sales patterns have begun [redacted] diverge sharply in different European markets, however, as demand in several key [redacted] countries [redacted] as [redacted] UK, [redacted] Spain [redacted] nose-dived, [redacted] Germany [redacted]

[redacted] many German [redacted] plants [redacted] working [redacted] full capacity [redacted] industry elsewhere has shed [redacted] jobs. [redacted] profits [redacted] producers in Europe [redacted] plunged, while [redacted] collapsed into loss, in the face of severe sales problems.

The impact of falling demand on car makers has been uneven. With several of Europe's car producers still over-dependent on domestic national markets, some have inevitably been hit hard, where these markets are in recession.

In the first seven months of the year new car sales in western Europe at 8.65m were 4 per cent higher than a year ago with the high level of demand in Germany masking the recession in several other leading European markets.

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-June 1991

	Volume (Units)	Volume Change (%)	[redacted] (%) Jan-Jun 91	[redacted] (%) [redacted]
TOTAL [redacted]	7,355,000	+1.7	100.0	100.0
[redacted]				
Volkswagen (inc Audi [redacted] SEAT)	1,217,000	+10.7	16.5	[redacted]
Fiat [redacted] Romeo, Ferrari Innocenti, [redacted]	979,000	−9.7	13.3	[redacted]
General Motors (Opel/Vauxhall, [redacted]	934,000	+9.1	12.7	11.8
– Opel/Vauxhall	899,000	+10.0	12.2	11.3
– [redacted]**	[redacted]	−16.3	0.4	[redacted]
Ford (Europe, [redacted] Jaguar)	895,000	+7.0	12.2	11.6
– [redacted] Europe	886,000	+7.6	12.0	11.4
– Jaguar	7,000	−35.4	0.1	0.1
[redacted] (inc Citroën)	840,000	−10.0	11.4	[redacted]
Renault††	710,000	−1.5	[redacted]	[redacted]
Mercedes-Benz	248,000	+12.1	3.4	3.1
Nissan	235,000	+17.3	3.2	[redacted]
BMW	205,000	+3.7	[redacted]	2.7
Toyota	189,000	+0.5	[redacted]	[redacted]
Rover†	180,000	−12.1	[redacted]	[redacted]
Mazda	156,000	+8.2	2.1	[redacted]
Volvo††	111,000	−18.4	1.5	[redacted]
Mitsubishi	105,000	+16.5	1.4	1.2
Honda†	[redacted]	+8.0	1.2	1.1
Total [redacted]	898,000	+10.7	[redacted]	11.2
[redacted]				
Germany*	2,368,000	+50.7	32.2	21.7
Italy	1,327,000	−2.7	18.0	18.8
France	991,000	−[redacted]	13.5	16.4
United Kingdom	802,000	−24.8	10.9	14.7
Spain	[redacted]	−16.4	6.2	7.5

*Includes eastern Germany in 1991; ‖ Cars imported from US and sold in [redacted] Europe; ** GM holds 50 per cent and management control of Saab Automobile; † Honda [redacted] 20 per cent [redacted] operations; †† Renault and Volvo are linked [redacted] minority cross-shareholdings. Source: Industry estimates

Excluding Germany, [redacted] car [redacted] in western Europe in the first seven months were 10.4 per [redacted] lower [redacted] 5.78m.

Germany [redacted] for one in [redacted] three new [redacted] sold in western Europe. In the first seven months this [redacted] sales in Germany reached an estimated 2.87m, [redacted] per [redacted] increase from [redacted] in the same period [redacted] year [redacted] largely in [redacted] Germany. [redacted] car makers began [redacted] have full access [redacted] eastern German market from July last year in the wake of currency union.

[redacted] car [redacted] in [redacted] first six months fell by [redacted] per [redacted] in the UK, [redacted] per [redacted] in France, 16.4 per [redacted] in Spain, [redacted] per cent in Sweden and [redacted] per [redacted] in Finland, the market hit hardest by recession.

Among the big six volume [redacted] makers in Europe the [redacted] performances are by the Volkswagen group, which includes Audi and SEAT, General Motors (Opel/Vauxhall) and Ford, which are the three leading players in Germany.

The Volkswagen group [redacted] its volume [redacted] in [redacted] months by an [redacted] 12.7 per cent allowing it [redacted] consolidate [redacted] position [redacted] European market leader with a [redacted] of 16.7 per [redacted] compared with 15.4 per cent [redacted] year [redacted] The challenge from the Fiat group [redacted] Italy (which includes Alfa Romeo [redacted] Lancia), the main pretender [redacted] years [redacted] VW's European [redacted] has [redacted]

Fiat [redacted] the Peugeot [redacted] France [redacted] lost ground this year, and Fiat in particular has come under heavy attack in [redacted] market, mostly [redacted] Ford. Fiat, Renault, Peugeot and Ford have all been forced [redacted] resort [redacted] idling assembly plants [redacted] reduce production during the last 12 months.

[redacted] financial front Renault, [redacted] French state-owned car [redacted] in which Volvo of [redacted] a 20 [redacted] cent [redacted] part of [redacted] two companies' strategic alliance, suf[redacted] an 87 [redacted] drop in net income last year [redacted] only FFr1.2bn ($202m) from FFr9.3bn in 1989. In [redacted] of 1991 [redacted] fall in pre-tax profits [redacted] only FFr962m from FFr2.778bn in [redacted] corresponding period [redacted] year [redacted]

The [redacted] operations [redacted] its [redacted] partner, Volvo, [redacted] remained in [redacted] in [redacted] half of 1991.

Among the b[redacted] six volume car makers in Europe Ford also [redacted] harsh [redacted] in 1990 with [redacted] worst [redacted] in 10 [redacted] The net profits of its European operations fell last [redacted] by 79.6 [redacted] to only $263m [redacted] in [redacted] record $1.56bn in 1988. The net profit of [redacted] European [redacted] operations alone fell by [redacted] per cent [redacted] only [redacted] $1.19bn a [redacted] earlier.

Kevin Done

WORLD [redacted] INDUSTRY 4

EC agreement on Japanese competition buys breathing space for French manufacturers

Considerable weaknesses exposed

LESS THAN two [redacted] ago French car makers looked fit and healthy, with strong sales and bright prospects in their *home markets* [redacted] abroad. [redacted] then, their considerable weaknesses, including high fixed [redacted] and heavy dependence on [redacted] now [redacted] home market, have [redacted] exposed.

In the agreement hammered [redacted] with the European [redacted]mission in July, state-controlled Renault and PSA, privately-owned maker [redacted] Peugeot and Citroën brands, may have bought themselves [redacted] breathing [redacted] before the Japanese manufacturers [redacted] allowed virtually unlimited competition at the end of [redacted] But their [redacted] restructuring and shaping up for the [redacted] is likely to [redacted] difficult and may [redacted] harder [redacted] it [redacted] Some analysts fear they will never make [redacted] grade.

One Paris broker, looking [redacted] end of the century, forecasts that the European car [redacted] will [redacted] at [redacted] of 1.5 per cent for the rest of [redacted] decade.

[redacted] *the Japanese* [redacted] to take a 16-17 per cent share of the total market, a figure already exceeded [redacted] territories, [redacted] than [redacted] of [redacted] growth will [redacted] European manufacturers. [redacted] individual country analysis [redacted] prospects look [redacted] for [redacted] French producers.

The [redacted] broker's [redacted] scenario in a [redacted] Japanese manufacturers will achieve only a [redacted] per cent market [redacted] compared with the current 3 per cent official quota.

His [redacted] scenario is that Japanese cars will account for 11 per cent of new registra[redacted] As much [redacted] largest suppliers to their home market and heavily dependent [redacted] it, Renault [redacted] PSA [redacted] the most likely [redacted] For PSA [redacted] market share could drop from [redacted] and for Renault [redacted] fall from 28 [redacted] 26 [redacted] cent [redacted] quite possible.

[redacted] Renault and [redacted] foreign sales potentials are taken into consideration, the picture is even worse. Italy, Germany and Spain [redacted] currently their [redacted] export [redacted] With [redacted] exception of Germany, they [redacted] also the [redacted] protected [redacted] susceptible [redacted] Japanese imports after liber[redacted]

> **The task of restructuring and shaping up for the free market is likely to be difficult**

[redacted] gloomy summary takes [redacted] reactions [redacted] Ford and Opel, [redacted] American [redacted] parent companies, [redacted] *in the US*, will be loth [redacted] the red [redacted] over them a [redacted] time in Europe.

Citroën [redacted] reflex: new lower-medium competitor

Nor does it consider [redacted] Japanese [redacted]facturing in the US (from where under Gatt rules the Japanese are already free to export to Europe) [redacted] Japanese [redacted] plants nearer home in [redacted] UK, Belgium [redacted] S[redacted]

Small wonder, then, that [redacted] two French manufacturers lobbied hard to keep the restrictions on the Japanese in place for as long as possible. Small wonder, too, that Mrs Edith Cresson, the new prime minister, [redacted] mission [redacted] to [redacted] both controversial and patriotic, *supported them* [redacted] *her* bull-headed [redacted] with vitriolic [redacted] on the Japanese.

Nor [redacted] it surprising that, having [redacted] what was probably the [redacted] proposal [redacted] French industry [redacted] reasonably hoped for, [redacted] Cresson [redacted] pragmatically willing to clutch the [redacted]panese [redacted] and [redacted] France would indeed be a good site for [redacted] satellite factory.

Meanwhile, [redacted] this year [redacted] been tough. [redacted] was [redacted] into [redacted] but [redacted] unemployment [redacted] rising steadily.

Consumers [redacted] unsurprisingly cut purchases of [redacted] cars. Although company [redacted] have [redacted] *rising* [redacted] *a proportion of* [redacted] *market* for the past [redacted] roughly [redacted] per cent in 1988 to 23 per cent in [redacted] there [redacted] yet [redacted] same [redacted] support [redacted] the market [redacted] in [redacted] UK. The manufacturers, still largely reliant on private purchasers, have been trying all the traditional means of sales support possible, [redacted] massive price discounting.

Already [redacted] off by [redacted] Pierre Bérégovoy, the finance minister, for increasing their prices above [redacted] inflation [redacted] in [redacted] past three years, [redacted]ault [redacted] have both [redacted] unwilling to admit they can reduce them.

New car sales in France (January to July)				
Car	1990	[redacted]	% change	% [redacted]
Peugeot	302,000	251,000	– [redacted]	[redacted]
Citroen	168,186	147,200	– 12.5	12.1
Total PSA	469,758	397,800	– 15.3	32.7
Renault	400,765	316,900	– 20.9	[redacted]
Total French	870,631	715,000	– 17.9	[redacted]
Foreign	[redacted]	[redacted]	– [redacted]	41.1
[redacted] total	1,416,278	[redacted]	– 14.2	100

* July [redacted] provisional

Source: Comité des Constructeurs/Les Echos

Mr Raymond Lévy, [redacted] Renault chairman, probably has [redacted] to worry [redacted] than Mr Jacques Calvet, his opposite number [redacted] PSA, which is generally regarded as having [redacted] stronger product range.

Its small [redacted] Peugeot [redacted], despite its [redacted], remains [redacted] best selling car in the country, accounting for 9.3 per cent of all sales. The introduction of [redacted] Citroën ZX [redacted] this year has helped restore the marque's quality image.

The Renault stable, on the other hand, is beginning to look a [redacted] tired. The Clio, [redacted] replacement for the R5, intro[redacted] last year, has met with only modest success.

In direct competition with the 205, it scored only a provisional 7.7 per cent market share in July.

For the future, analysts foresee little change in policies. The drive [redacted] productivity is likely to be the main theme for the rest of the decade.

At PSA, it is taking a radical form. In April the Poissy plant, near Paris, producing the Peugeot 309 and the Citroën ZX, began working four-day rotas in shifts of 10 hours each, much to the horror of the government which is trying to reduce working hours in France.

New car [redacted] France	
1988	[redacted]
1989	[redacted]
1990	[redacted]
1991	[redacted]

[redacted]

Source: Comité des Constructeurs

PSA, which secured union agreement for the 4x10 system, [redacted] it [redacted] only way [redacted] increase productivity by a quarter and [redacted] guarantee employment.

PSA last month acted [redacted] improve the productivity of its sales operation and took the embarrassing decision to pull Peugeot out of the US market, having sold only 2,200 [redacted] *there since the beginning of the year.*

Renault has approached the problem differently. It says its alliance with Volvo, made possible [redacted] Renault's [redacted] of status from a state guara[redacted] *regie* into a limited liability company, will lead to an "interchange of functions and components between the two firms and enable the long-lasting gains in productivity and profitability needed for a more secure future".

It already claims [redacted] major advance with the arrival of the Clio, [redacted] to develop. Man [redacted] involved in assembly [redacted] 18 hours [redacted] launch, compared [redacted] 22 hours for [redacted] Super5 it replaced. Body variants fell from [redacted] to 27 [redacted] the total number [redacted] body components dropped from 179 to 119. Now Mr Lévy hopes to cut development time.

Yet not only has Renault's profitability been wobbly in the past few years, but it must also begin to pay back the FFr6.7bn of state aid that the EC has declared illegal. Its problems [redacted] the more [redacted]ing, [redacted] both manufacturers have essentially the same eight-year task ahead of them; grinding [redacted] at productivity until it is on a [redacted] with the Japanese.

Patrick Frater

David Lane looks at the industry in Italy

Fiat's market share drops

Fiat					
	1986	1987	1988	1989	[redacted]
Financial [redacted]					
[redacted] revenues	18,384	22,142	25,454	28,424	27,875
Operating profit	1,578	1,998	2,136	2,382	[redacted]
Investment	2,060	2,177	1,875	1,444	1,999
[redacted] & development	376	558	673	821	1,067
[redacted] units)					
Italy	1,021	1,234	1,346	1,419	1,231
[redacted] (%)	60.5	59.7	59.9	57.7	[redacted]
Europe (excl [redacted]	509	635	651	698	701
[redacted]	[redacted]	5.6	5.8	5.8	[redacted]
[redacted]	181	168	192	167	[redacted]
Total *Fiat* [redacted]	1,711	2,037	2,189	2,284	2,132

[redacted]

THOUGH nobody is talking about [redacted] *Fiat*, [redacted] Turin [redacted] maker faces testing challenges. Progress in the [redacted] by foreign [redacted] has eroded what until recently [redacted] home base. From [redacted] per [redacted] share [redacted] in Italy has dropped steeply.

Italian sales by the group, [redacted] include [redacted] Autobianchi, [redacted] Alfa [redacted] and Ferrari, [redacted] been overtaken by imports. [redacted] *sorpasso* that occurred during [redacted] been [redacted]firmed in the first half of the [redacted], *with imports moving further ahead.* Figures from the importers' [redacted] Unione Nazionale Rappresentanti Autoveicoli Esteri (Unrae) [redacted] Group's [redacted] is *now 47.8 per* [redacted]

[redacted] to Italy in the 1960s may remember [redacted] complete dominance of Italian-[redacted] cars on the roads. About six cars from every seven [redacted] the [redacted] had [redacted] in Italy. Even during [redacted] 1970s two out of three new reg[redacted] come [redacted] Italian assembly [redacted]

[redacted] position of [redacted] makers worsened *during the* [redacted] their [redacted] share fell to about 58 per cent. [redacted] the end [redacted] the [redacted] made-in-Italy [redacted] built-by-Fiat, and [redacted] group maintained [redacted] share. [redacted] *Group followed* [redacted] per cent of home market in 1988 by taking 57.7 per [redacted] in the following year.

Clearly the [redacted] have started badly for Fiat, [redacted] many ask [redacted] will stop. It [redacted] unlikely [redacted] marketing [redacted] Fiat [redacted]quarters would have [redacted] today's position [redacted] years ago.

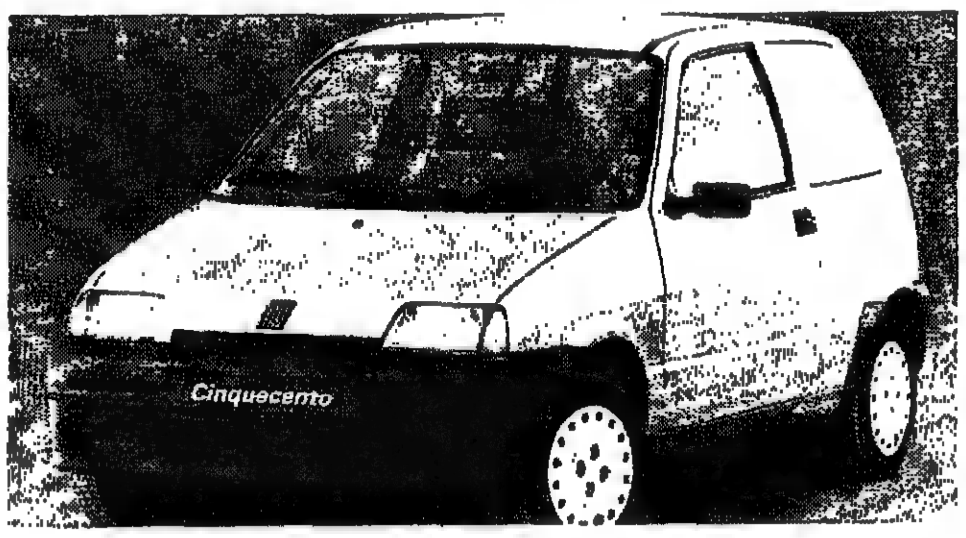
It would [redacted] taken courage *to predict* [redacted] drop [redacted] more than [redacted] per [redacted] Fiat's forecasters now telling top management that its share will fall by a [redacted] amount [redacted] the [redacted] years, as [redacted]*dicted* [redacted]

Officials at the importers' [redacted] say that in [redacted] that has been under[redacted] process of globalisation, and given Italy's EC *membership,* it was [redacted] for Italian cars to keep their share [redacted] the national market.

Other factors have also contributed [redacted] Fiat's weakening position. Industry analysts point to a *combination* [redacted] *quality problems,* an ageing [redacted] and aggressive competition by importers.

Fiat has been [redacted] a reputation for quality shortcomings. While Fiat empha[redacted] the increasing attention it gives to quality, analysts [redacted] match [redacted] progress of competitors.

The marketing [redacted] of a *leading foreign maker suggests* [redacted] strong position [redacted] home, with buyers [redacted] until now [redacted] been [redacted] quality, [redacted] been [redacted] heel. [redacted] *has* [redacted] up [redacted] the [redacted] satisfying [redacted] demanding requirements in export markets. This [redacted] problems [redacted] it [redacted] to compensate falling home [redacted] by [redacted] exports," [redacted]



Fiat Cinquecento (500): to be launched in early 1992 and produced in Poland

Fiat's [redacted] range also helps explain the inroads that foreign cars are making in Italy. The Tipo, launched three years ago, has not been the winner that was hoped in the highly competitive segment C. Figures [redacted] the [redacted] this [redacted] show that [redacted] drop in sales [redacted] the Tipo has been considerably *sharper than* [redacted] segment as a whole.

Fortunately for Fiat, [redacted] Uno [redacted] a success. It [redacted] con[redacted] in spite [redacted] January [redacted] launch, [redacted] still [redacted] listings. With [redacted] than 200,000 delivered [redacted] Ital[redacted] buyers [redacted] January and June, [redacted] nearly [redacted] as many as [redacted] Segment B rival, [redacted]

Though the Uno's achievement is considerable, ground [redacted] being [redacted] newer [redacted] not only being lured into Ford's showrooms by the [redacted] in [redacted] C and [redacted] Their attention is being [redacted] cheque [redacted] opened by Volkswagen's rejuvenated [redacted] Passat, Renault's Clio and Opel's Vectra.

However, competition is no longer limited to the familiar names of *Europe's* automobile industry. This year is likely to be remembered for the foothold *secured in the Italian market* by cars with Japanese names. That the [redacted] now [redacted] breached is recorded in Unrae's [redacted]

During [redacted] first half [redacted] Nissan sold nearly [redacted] cars in Italy, followed by Suzuki with 7,000 and Honda [redacted] Mitsubishi [redacted] with 4,800. [redacted] at [redacted] of June amounted [redacted] almost 35,000, pointing [redacted] a full year [redacted] the all-time total imported up [redacted] three years ago. Moreover, there has been a radical change in the type of [redacted] brought into Italy. Ordinary [redacted] now [redacted]ably outnumber four-wheel [redacted] off-road [redacted]

Italians are starting to get [redacted] for [redacted] models made by Japanese car [redacted] And this [redacted] in loyalty [redacted] great [redacted] Fiat's headquarters.

"Medium-term prospects, together with expectations [redacted] a generalised [redacted] upturn, present [redacted] picture of greater *complexity of* [redacted] extremely aggressive competi[redacted] this [redacted] point, there [redacted] particular concern about [redacted] prospects [redacted] large-scale entry by the Japanese automobile industry into [redacted] community market," [redacted] chairman Giovanni Agnelli told [redacted] end [redacted] June.

[redacted] with [redacted] line adopted by [redacted] hardest European opponents regarding Jap[redacted] makers, seeking a gradual lowering [redacted] linked to "concrete and [redacted] reciprocity".

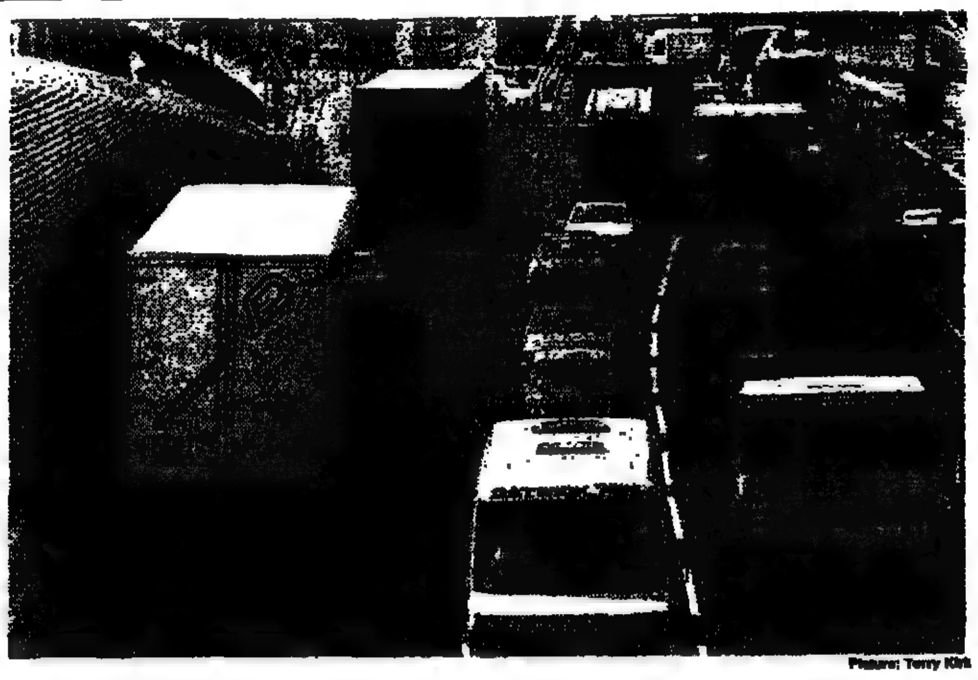
However, it [redacted] difficult [redacted] the Turin group to maintain [redacted] tough [redacted] on transplants. Its biggest hope [redacted] immediate future lies [redacted] the [redacted] *Cinquecento Segment A model* that [redacted] produced by [redacted] FSM plant [redacted] Bielsko Biala in Poland and will [redacted] launched [redacted] beginning of next year. Fiat [redacted] its [redacted] transplants will enjoy the same quality ratings and customer approval earned by Japan's European transplants.

[redacted] Polish venture, continu[redacted] a longstanding relationship [redacted] has involved the production of the 126 and 125 [redacted], is part of a strategic position[redacted] seemed to give [redacted] competitive [redacted] Europe opened up. But *expectations* [redacted] down in recognition [redacted] the severe problems [redacted] in [redacted] *newly-democratising region.*

With [redacted] large Yelabuga project, announced [redacted] *on hold,* [redacted] plans in [redacted] Union centre on boosting capacity and improving the competitiveness of the VAZ Togliattigrad plant. A memorandum of understanding was [redacted] in April that [redacted] privatisation. [redacted] purchase [redacted] capital [redacted] involvement in developing [redacted] managing [redacted] company will further an [redacted] to the [redacted] Togliattigrad plant 25 years [redacted]

[redacted] Europe [redacted] no easy [redacted] solving problems [redacted] home and in the EC [redacted] profits decline, speculation [redacted] about possible alliances, with the names of Toyota and Ford often being mentioned. If another Uno was [redacted] and in sight, [redacted] reservations about Fiat's capacity [redacted] inter[redacted] in carrying on [redacted] in [redacted] automobile [redacted] might be less.

However good [redacted] Polish *Cinquecento* [redacted] *out,* [redacted] *will* give low margins in a contracting segment. The three years until [redacted] launch [redacted] Uno's successor promise a nail-biting wait.



Picture: Terry Kirk

Bottleneck: most of the congestion is caused by delivery and service vehicles

URBAN CONGESTION

Search continues for the ideal solution

[redacted] of the [redacted] vehicle, urban congestion, [redacted] something with which we are all familiar and [redacted] which [redacted] us have an [redacted] The problem [redacted] *different.* [redacted] for [redacted] roads, another for cars to [redacted] from city [redacted] in the middle come [redacted] who plead that [redacted] public transport would wean car [redacted] from their lonely and frustrating journeys.

The [redacted] in this [redacted] asked and never properly answered, [redacted] gravitational [redacted] big urban [redacted] are, [redacted] all, in [redacted] of [redacted]munication; with a handful [redacted] specialised exceptions, our big shopping [redacted] large city [redacted] our living [redacted] of them long [redacted]

[redacted] and their attendant service industries to agglomerate in [redacted] or [redacted] York or Tokyo. [redacted] that [redacted] from [redacted] problems [redacted] environment forcing companies and people [redacted] move out, [redacted] beyond which [redacted] *companies* are [redacted] in. Nobody seems to know why, yet the answer is [redacted] way traffic congestion [redacted] approached.

[redacted] *of* [redacted] lobbies on either [redacted] the argument. Full and free movement, the provision [redacted] a grid [redacted] multiple lane freeways, split-level [redacted] and huge car parks on the Los Angeles pattern produce [redacted] Angeles results: [redacted] sprawl [redacted] megalopolis, severe pollution, [redacted] energy use – and severe traffic congestion. Equally, [redacted] who argue for private cars [redacted] be banned from city [redacted] forget, [redacted] ignore, that most of the [redacted]tion is caused by delivery, service and public transport vehicles [redacted] one kind [redacted] another.

The "anti-car" lobby [redacted] seems often to imply that people who drive to work in their own cars do so out of *stupidity* or sheer bloody-mindedness. Its enthusiasm [redacted] public transport ignores the [redacted] that the public transport systems [redacted] big cities are already *overflowing* [redacted] could certainly not take [redacted] full weight [redacted] displaced motorists. It is equally clear that the provision [redacted] public transport systems is expensive and in its own way environmentally disruptive.

A study of urban transport history seems to show that the real purpose of any new public transport scheme is to speed travel along a particular corridor in which congestion is threatening to reach crisis level; and the process continues to this day, as witness the plans to extend London's underground railway system. The clear implication is that public and private transport must work in unison, not in opposition.

At the more detailed level, there is now great interest in Europe in the potential of electronic controls and computers to ease traffic flows. There is a logic to this, since Europe has by far the largest number of ancient cities – most of them suffering severe congestion of horse-drawn traffic 100 years ago – which cannot seriously contemplate tearing up large [redacted] their [redacted] to install split-level intersections. Systems have [redacted] made [redacted] work, by and large, on existing [redacted] networks. There is, in fact, [redacted] recognition that road space [redacted] valuable commodity [redacted] that it should therefore be used [redacted] maximum efficiency. [redacted] is [redacted] not the case if a stationary vehicle is sitting on it.

London made an early and too rarely acknowledged start in this direction with its system of computer-linked traffic lights. Critics who doubt the value of such a system should try driving in other big cities (such as Tokyo) which do not have it. Today, however, European minds have moved on and the umbrella EC-sponsored research project aimed [redacted] improving matters is Prometheus – the Programme for the Movement [redacted] European [redacted] with High Efficiency and Unparalleled Safety. [redacted] Europe's big [redacted] and [redacted] manufacturers have undertaken work in some area of the Prometheus programme.

As work has progressed, the potential of the programme has become more obvious. Research and development has been split broadly between [redacted] areas: communication between vehicles and the environment; between one vehicle and another; and between vehicle and driver.

Communication with the environment – in practice, [redacted] some form [redacted] roadside data link – has several implica[redacted] It means information can [redacted] relayed [redacted] vehicle [redacted] warn it [redacted] congestion ahead and to direct it along the fast[redacted] route. [redacted] also means that road space can [redacted] shared [redacted] efficiently as possible. It [redacted] quite [redacted] conceive, along this branch [redacted] thean technology, [redacted] computer-controlled [redacted] vehicle conflict, with opposing [redacted] traversing a crossroads in the manner of the motorcycle [redacted] at the Royal Tournament.

Communication between vehicles offers the possibility, [redacted] Volkswagen [redacted] instance [redacted] already demonstrated in the [redacted] own [redacted] track, that [redacted] can [redacted] operated in close convoy, automatically controlled to run [redacted] than [redacted] metre apart. Apart from making optimum use of road space, the technique also improves fuel economy by ensuring steady-speed operation and reducing the aerodynamic drag of each vehicle.

Communication between vehicle and driver is proving to be perhaps the most obdurate of the problems addressed by Prometheus. This is partly because this is the one area where there is a large body of existing technology, but also because systems have to be devised which allow the driver to interface without taking his attention off the road ahead (unless his vehicle is under full automatic control). Thus systems based on multifunction display screens need very careful devising, while the assumption that a driver will hear and react to audio signals – via a synthesised voice, for example – has been called into question by research findings.

Above all, two fears must be allayed before such research can be exploited on a large scale. Inevitably there is a fear among drivers that electronic systems will amount to a "big brother" tracking them wherever they go; a fear which presumably will have to be answered along with other civil liberties issues. More fundamentally, there is the question of system reliability. Travelling in the centre of a high-speed convoy, or traversing a junction through what might seem [redacted] gap between a crossing traffic stream is bound to prompt the thought: what happens if something goes wrong? Which is why one of the biggest issues now being tackled by the Prometheus research teams is that of overall reliability and system redundancy.

Jeff Daniels

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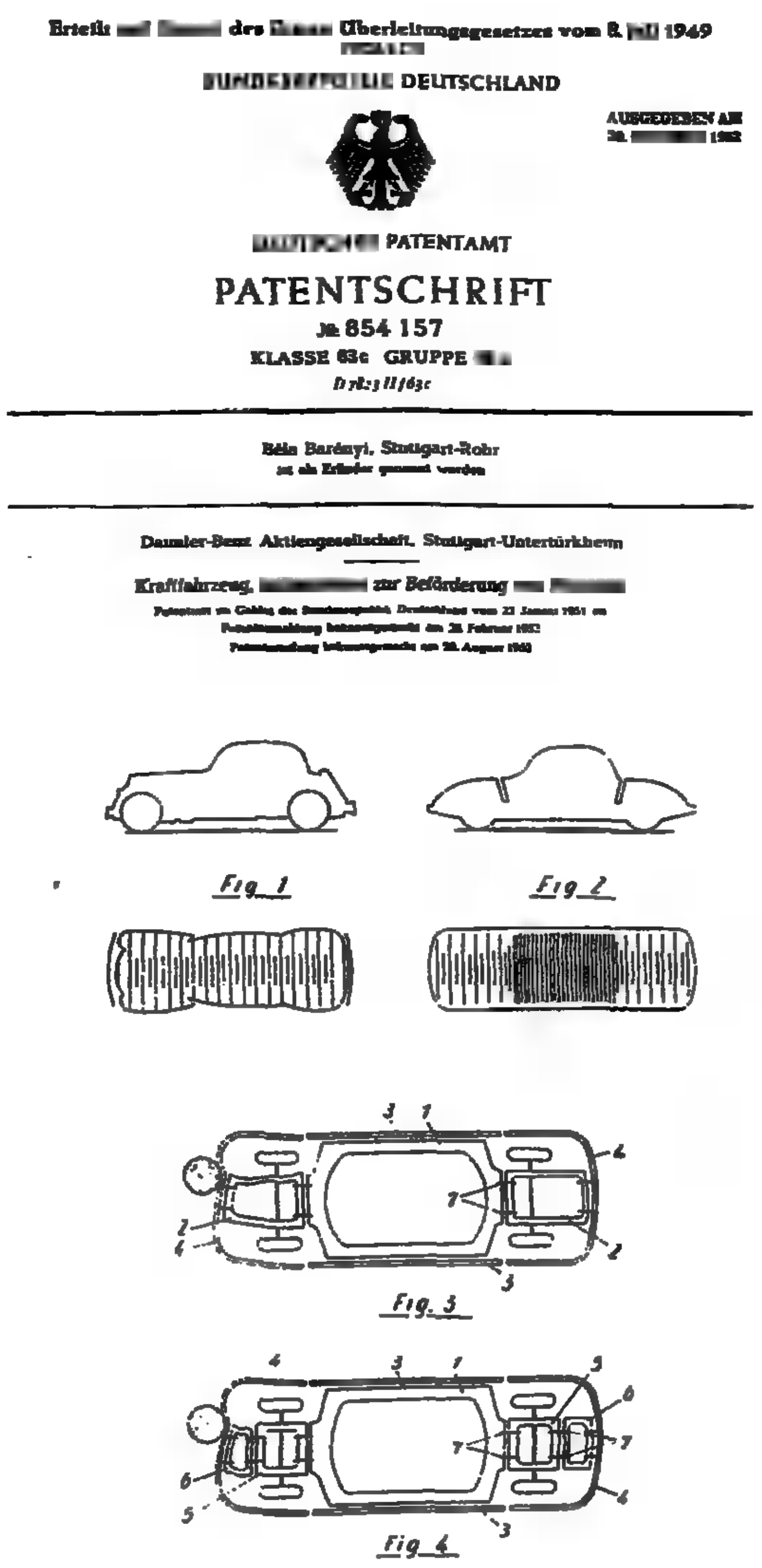


An idea too good not to share

In 1951 Mercedes-Benz patented an invention so important to motoring safety that it was more than merely another competitive advantage. It was literally a life-preserving breakthrough – the rigid passenger safety cell protected front and rear by energy-absorbing crumple zones.

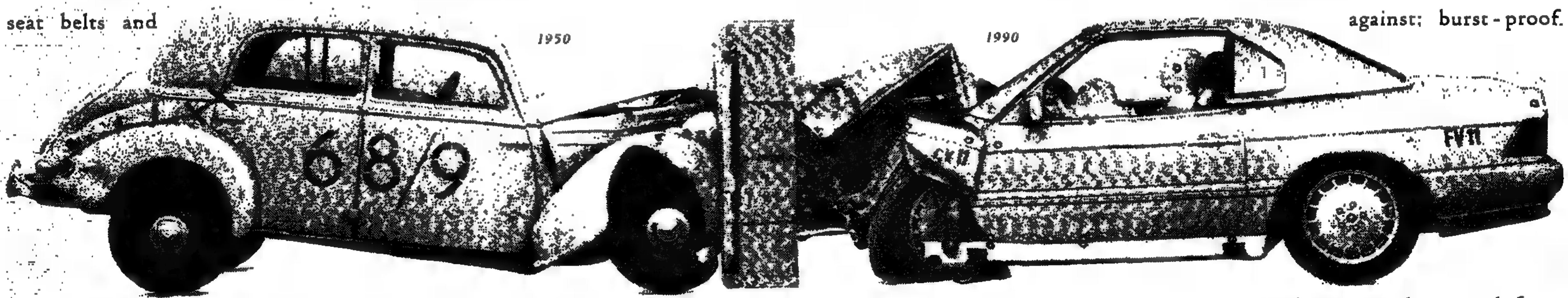
So radical an advance was it that Mercedes-Benz decided it would be socially irresponsible to keep the concept to themselves. It was an idea too good not to share. So, in subsequent years, as other car makers gradually absorbed the lessons of such ground-breaking research, Mercedes-Benz did not once enforce their patent rights. As a result, the motoring world has become a safer place.

Safety Cell Now Fundamental To Car Design

Today the steel safety cell is an almost universally copied concept. But, just as Mercedes-Benz were the only manufacturers in the world with the depth of engineering experience needed to invent the safety cell, so they retain their edge today by conducting the most exhaustive crash-testing programme there is.

Copying a principle is one thing. Fully exploiting its potential is quite another. And Mercedes-Benz are ideally placed to know how well they stand in the safety stakes because they crash test competitors' products as well as their own.

Back in the early '50s, however, only one production car, the Mercedes 180, used the rigid passenger capsule. This was a quantum leap by the company that among other things, had also given the volume production car its first independent front suspension, its first anti-lock brakes, its first impact absorbing air-bag, and was among the first to introduce seat belts and



the collapsible steering column. An inventory of safety engineering that is without peer.

Rewriting The Safety Rules

These days, Mercedes-Benz conduct crash tests every week. And today, as they have since 1951, Mercedes-Benz demand more of themselves than is ever imposed by the safety legislation of any government.

For example, Mercedes-Benz crash test cars for both the 25% and 40% off-set frontal collisions that their research shows are the most common types of head-on accident. Government statute calls for only 100% head-on collision testing, so that is the route the car-making herd follow. But the stresses of all three types of impact are allowed for in every car body built by Mercedes-Benz.

The result is a range of cars, from the 190 series to the new SL sports car, that are uniquely well-equipped to reduce the risk of serious injury in a major accident. No car maker crash tested their cars at all until Mercedes-Benz showed them the value of such a programme. And where Mercedes-Benz led, again the world eventually followed.

Gradually the full safety jigsaw came together as Mercedes-Benz took the next logical step – improving in-cabin protection. Seat belts, for example, were offered as early as the late '50s.

Then, in 1959, as the crash-testing programme taught ergonomic engineers its invaluable lessons, the Mercedes-Benz 220 became the first car equipped with an interior designed to help protect unrestrained occupants during an accident.

New features included a large, padded steering wheel boss; a padded, yielding instrument panel; padded sun visors, window trim and arm-rests; and recessed door handles. And this, remember, was all more than 30 years ago.

Comprehensive Collision Testing

During the '60s and '70s, Mercedes-Benz consolidated their pioneering role in safety engineering. The company was directly involved in developing a lateral roll-over test now used throughout the world. Today, rear-end, side-impact and roof-drop testing are also central to the Mercedes-Benz programme.

Take side-impact testing. Countless experiments have proven to Mercedes-Benz that car doors must combine two essential properties: great impact-absorbing strength that also spreads the protective effort across the even stronger side pillars, floor sills and roof that they must be braced against; burst-proof locks that can nevertheless be easily opened from both inside or outside after a major collision.

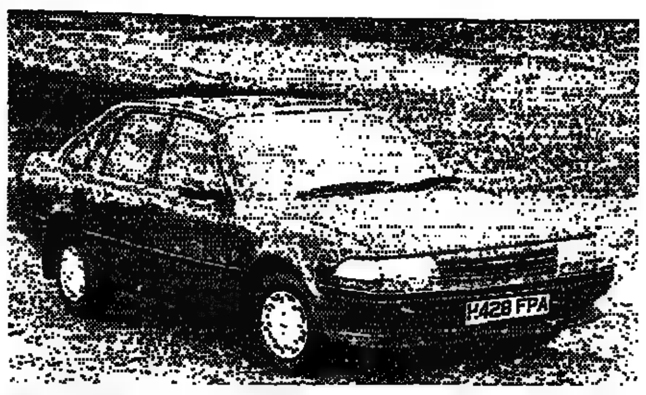
There Is Always More To Discover

In the 1990s, Mercedes-Benz are pushing as determinedly as ever at the frontiers of safety research. With many hundreds of important patents to their name in safety alone, they continue to add to a storehouse of knowledge that has been garnered, usually in a pioneering role, over the past 60 years.

That rigid safety cell was a pinnacle in a continuous unrivalled record that began with the introduction of independent front suspension to volume cars in 1931, a measure that made them more predictable and sure-footed vehicles to drive. Yet one more idea that was too good not to share.

ENGINEERED LIKE NO OTHER CAR IN THE WORLD

Japanese car production in Europe is set to rise rapidly during the 1990s as investment in car and engine plant capacity increases



Toyota Carina: UK production [illegible] in 1992

All set to begin UK production

TOYOTA, Japan's largest car maker, [illegible] cars in [illegible] Europe in [illegible] and [illegible] on [illegible] for a marginal [illegible] year. Unlike [illegible] and Honda, its car sales in the region [illegible] entirely of imports from Japan.

All that will change from [illegible] next year, when the assembly lines start to roll at its £700m ($1,176m) car plant now [illegible] rapidly towards completion at a [illegible] site at Burnaston, Derbyshire.

The plant, which is complemented by a [illegible] engine-manufacturing facility at Shotton, north Wales, is due by *1995 to be producing 100,000* units a year of a 1.8 litre [illegible] Toyota's [illegible] family saloon.

This output is officially

Toyota

[illegible] to rise to 200,000 units, possibly through the adoption of a second model, by well before the end of the decade. By then, the two plants should be employing a total of 3,300 people.

In the past few weeks, as the EC and Japan have arrived successfully at an "understanding" on the [illegible] of Japanese car sales in the EC post-1992, the suspicions of some industry observers that these output figures understate Toyota's real intentions appear to have been borne out.

The UK government's own Department of Trade and Industry (DTI) is now known to have internal estimates forecasting that Toyota will be [illegible] cars a year in the UK by the end of the decade.

So far at [illegible], Toyota professes to [illegible] no explanation of how the DTI has arrived at *this figure.*

However, the same government [illegible] – [illegible] in establishing the government's stance in the EC-Japan talks – also show Nissan producing [illegible] cars a year in the UK by the end of the decade, compared with 200,000 acknowledged formally by Nissan itself, and [illegible] by Honda, which so far has declared a [illegible] to only 100,000 units a year.

Such projections imply good news for Europe's components manufacturers, given the commitments of all three manufacturers to "local" – meaning EC – content of at least 80 per cent in full production.

This is particularly the case since Toyota is expected to join Nissan in exporting [illegible] UK-built cars and engines, not just to Continental [illegible] but to Japan as well.

Mr Junji Numata, chairman of Toyota Motor Manufacturing [illegible] UK (TMMUK), says that some 40,000 engines a year will be supplied to other Toyota plants overseas, including [illegible] America.

Toyota [illegible] recently completed the process of choosing its 150 or so prototype component suppliers, only a handful of which are either Japanese-[illegible] or European joint ventures with Japanese companies.

Successful European [illegible] include the UK's [illegible] group, Pilkington's Triplex subsidiary, BTR and Pirelli. Even so, it is [illegible] the total of £1.8bn being [illegible] by Japanese car makers in the UK is drawing in an increasing number of Japanese component companies, such as Nippondenso and Calsonic, which will undoubtedly [illegible] with the car companies as a springboard for [illegible] with indigenous European car companies.

Privately, TMMUK, the UK manufacturing company, has set itself the goal of achieving [illegible] local [illegible] – a level which would require gearboxes, also, to be manufactured within the Europe.

This is now understood to be part of Toyota's planning for the UK, although so far it is [illegible] denying nor confirming that such a plant will go ahead.

The UK is not Toyota's only manufacturing venture in Europe, although so far it is the only one involving cars. Since [illegible] around 10,000 Toyota light pick-ups have been produced at Volkswagen's Hanover plant in Germany, with two-thirds of output being sold as VWs and one-third under the Toyota badge. Recently, the collaboration with Volkswagen has been strengthened with an agreement under which Volkswagen cars are to be sold through Toyota dealerships, which are to set up separate sales and [illegible] for the German cars.

Toyota's [illegible] is to at least double its share of the [illegible] European car market *to* [illegible] *per cent, by the* late 1990s.

To achieve this, Toyota is [illegible] firm [illegible] to increase the size of its sales networks in [illegible] Europe, by nearly one half to 2,500, in particular in its "home" European base, the UK.

To this end, it is taking a progressively larger stake in Toyota (GB), the Inchcape Group-owned importer which has sold Toyotas in the UK for many years.

Under the agreement, Toyota will [illegible] control by 1998. To underline the partnership aspects of the deal, however, Toyota has taken a 4.7 per cent stake in Inchcape [illegible].

Like all Japanese manufacturers, Toyota knows perfectly well that the days of selling in one market cars originally designed for [illegible] and truly over.

It is for that reason that it has [illegible] an engineering and marketing centre near Brussels, at a cost of more than £100m, to develop cars in tune with the [illegible] and other requirements of European buyers.

John Griffiths

More cars from Swindon

HONDA, Japan's third largest carmaker, is now moving on a broad front to expand its presence in Europe, encouraged that the long-sought framework for Japanese car [illegible] in the EC post-1992 is now in place.

Within days of the EC-Japanese agreement being reached last month, Honda announced that it would expand its European dealer network to around [illegible] by the mid-1990s, from the current just under 1,500.

The expansion is needed to [illegible] with a planned increase in [illegible] European sales from 160,000 last year – representing just 1.2 per cent of the [illegible] European market – to [illegible] over the same period, as Honda starts to feel the benefit of its car manufacturing operations at Swindon in the UK and the post-1992 easing of sales [illegible] in other large EC markets such as France and Italy.

The Swindon plant is due to start production of a medium-size family car, code-named Syncro, late next year, with output [illegible] to [illegible] than 100,000 cars annually by 1995, when [illegible] should be employed there. About half will be sold as Hondas, the other half under the badge of Rover, with which Honda has 20 per cent cross-shareholdings.

Though [illegible] by Rover, the Swindon car is widely expected to provide an upmarket replacement for Rover's [illegible] Montego [illegible], produced at Cowley to the east of Swindon, in a plant scheduled for closure "in the early [illegible]".

Honda's Swindon plant is rapidly taking final shape on a [illegible] in the Wiltshire countryside. It already employs nearly 700 people and has had engine production on stream for two years, providing [illegible] for the Honda Concerto/Rover [illegible] that Rover produces for both partners at Longbridge, near Birmingham. It made 75,000 engines last year and there is capacity for 200,000.

This year Rover will provide Honda with [illegible] Concertos, up from 26,500 in 1990, and expected to remain at that level until 1995, when the models' successors should be due.

The extent to which Honda and Rover will collaborate on future models has been the subject of considerable speculation, largely because of what happened after the launch of their first jointly produced [illegible] the executive [illegible] 800/Honda Legend.

The agreement provided for Honda to build Rover's [illegible] as well as its own in Japan, and for Rover to do the same in the UK. Both activities quickly came to an end, requiring the companies to [illegible] industry rumours that Honda was [illegible] with its partner's build quality. Such rumours were further fuelled by the poor reputation the big Rover quickly acquired in North America, and the [illegible] then executive car replacements have been developed separately.

However such problems, if they existed, appear to have been laid to rest by the successful Rover [illegible]

Honda

Honda Concerto programme and the taking of cross-shareholdings with Rover, which is 80 per cent owned by British Aerospace. Sir Graham Day, Rover's chairman, says that further clear evidence that the collaboration is alive and well is to [illegible] in the decade, when other new model programmes coincide.

Despite the 56 per cent sales growth [illegible] *in western Europe* over the next four years, Honda insists that none of it will be accounted for by increased exports from Japan. Instead, some of the increase will come from higher imports from Honda [illegible] in North America, from which Accord estate cars are already being shipped at a rate of 5,000 a year: that is expected to rise to [illegible] a year by 1995.

The bulk of the increase, however, will come from Swindon. Exports from Japan will remain at around last year's 150,000 level, despite last month's EC-Japan "understanding".

[illegible] executives of Honda Motor Europe, the UK-based company set up [illegible] year to oversee both Honda's developing pan-European strategy and its existing activities.

The latter extend to 17 sales and manufacturing subsidiaries or affiliates including motorcycles and power products and – of considerable significance – a research and development centre at Offenbach, Germany.

Within the next two to three months a new building complex is scheduled for completion at Offenbach which will allow Honda R & D Europe more adequately to fulfil its triple role of providing Japan with intelligence on market and [illegible] trends in Europe, supporting manufacturing [illegible] in their product planning, designing and development of locally produced components, and helping Japanese R & D centres adapt products to European tastes.

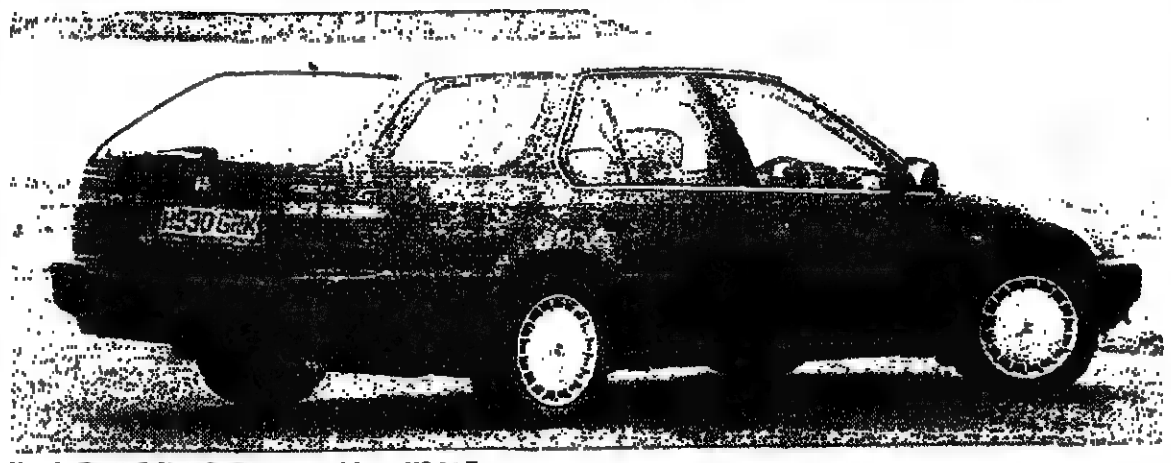
Meanwhile, Honda has chosen the 130 component suppliers for the Syncro. Between them they will share annual business estimated by Honda of the UK Manufacturing (HUM) to be worth [illegible] in full production. UK suppliers are expected to account for about 50 per cent of the total.

The list includes [illegible] of the UK's [illegible] component groups, together with the [illegible] group [illegible] Bosch, whose £100m alternator plant at [illegible]kin, [illegible] is now on stream.

Honda has already expressed the hope that it will be able to increase its European car sales to [illegible] cars a year in the second half of the 1990s. That would mean either a really big increase in imports from North America – or further manufacturing expansion at Swindon.

While Honda has declared no intention to [illegible] output beyond the 100,000 a year mark, it is significant that private [illegible] the UK Department of Trade and Industry put Honda's UK output at [illegible] cars a year by 1999.

John Griffiths



Honda [illegible] exported from US to Europe

Trailblazer for manufacturing investment

NISSAN, Japan's second largest car maker, has been the trailblazer for Japanese car manufacturing investment in Europe.

Its plant at Sunderland in north-east England, is entering its [illegible] year of production, and by the end of this year is expected to have increased its output of the Primera medium saloon by [illegible] from year-ago levels to an annual rate of [illegible] units.

There should be [illegible] next year, when production starts of a second range of cars, the [illegible] for the small Micra hatchback. This, in full production, should fully take up the [illegible] 220,000 cars a year capacity of the Sunderland plant.

Nissan should [illegible] be able to build significantly on its present sales in western Europe which, at 381,000 last year, made it the [illegible] among Japanese producers.

Nissan

The £700m Nissan has invested in its UK manufacturing operations has been gratifying for the UK government, which in encouraging inward [illegible] by [illegible] Toyota has had to endure much hostility from continental Europe. Mr Jacques Calvet, chief executive of France's Peugeot group, has described the UK as a "Japanese aircraft carrier off the coast of Europe".

[illegible] per cent of Sunderland's output is being exported, double the [illegible] per cent originally envisaged by Nissan and contributing about [illegible] to the UK's balance of trade.

[illegible] all the [illegible] for Europe: earlier in the summer the plant began shipping [illegible] units a year to Taiwan and the first of 8,000 Primeras a year to Japan [illegible]

The question most [illegible] of analysts now is how long Nissan will be [illegible] to stay at [illegible] the 220,000 capacity level.

Nissan has previously indicated informally it would like to move towards an output of 400,000 cars a year in the UK, and the UK government now believes this is likely before the end of the [illegible].

Such output would leave Nissan challenging Ford and Vauxhall as the UK's [illegible] largest producer behind Rover Group.

Nissan's manufacturing [illegible] by no means [illegible] solely on the UK. It has substantial capacity, through its Spanish operation, Nissan Motor Iberica, producing [illegible] off-road [illegible] as well as [illegible] and a new "multi-passenger vehicle"(MPV), the Serena.

Nissan has also linked up with Ford to produce a four-wheel-drive [illegible] vehicle to compete with vehicles pioneered by Land Rover and Japanese rivals, such as the Mitsubishi Shogun/Pajero, Isuzu Trooper and [illegible]. It is being developed mainly by Nissan and will be built at Nissan's Motor Iberica plant.

To bolster its manufacturing efforts, the company [illegible] centres in the UK for its European vehicle design and development operations as part of a £31m investment programme.

[illegible] European Technology Centre, the company which will form the European link in the company's planned global research and development network, has been set up at Cranfield Institute of Technology [illegible] in [illegible], with a secondary operation at Sunderland itself.

The two centres are to design and develop future cars to be built in the UK and Spain and specifically tailored for the European market.

According to Mr Ian Gibson, managing director of Nissan Motor Manufacturing UK, Nissan's UK car assembly operation, Nissan needs to be able to design a vehicle from scratch in Europe.

Within this decade, it is [illegible] to launch European model ranges the body, suspension, drive axles and trim of which have been designed, developed and engineered in Europe, chiefly in the UK.

[illegible] is to undertake considerable strengthening of its distribution [illegible] in Europe to prepare for increased sales.

But [illegible] of [illegible], a long-running dispute with its distributor of more than 20 years in the UK, appears finally to be over.

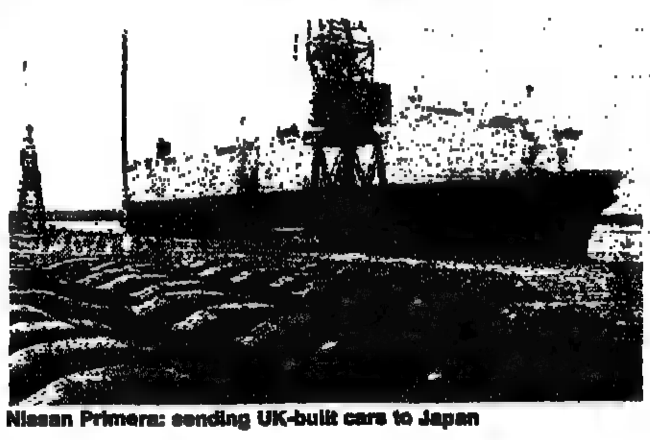
It is setting up a new company, Nissan Motor (GB), to distribute all Nissan products in the UK next year, following an Appeal Court decision not to intervene in its decision to cut all ties with Mr Octav Botnar's Nissan UK from December 31 this year.

The UK has been by far the most important market for Nissan within Europe, until recently accounting for about half of all Nissan sales in Europe and nearly 6 per cent of the total UK market.

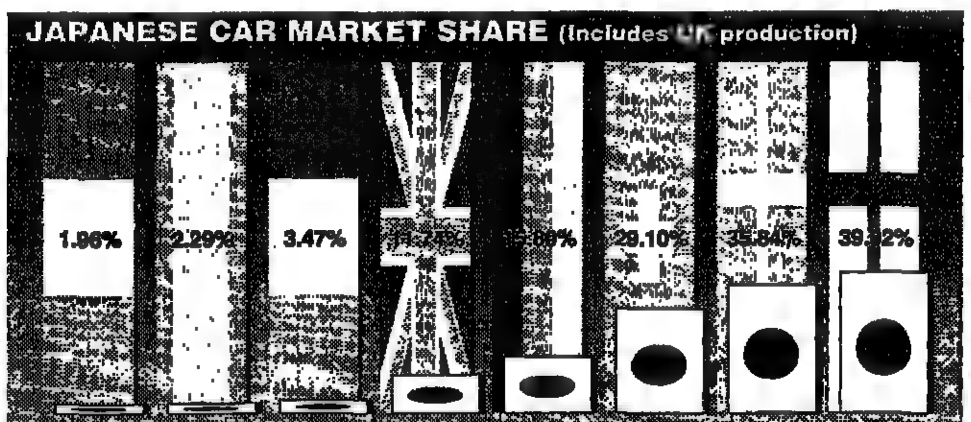
The dispute with Nissan UK, however, [illegible] including pricing, this year has [illegible] plunging [illegible] level and the new [illegible] will have a huge task next year to launch a recovery.

In the long term, Nissan hopes to [illegible] 10 per cent of the UK market.

John Griffiths



Nissan Primera: sending UK-built cars to Japan



	[illegible]	[illegible]	[illegible]	[illegible]	1991	1992	Estimates 1993	1994	1995
Total market	[illegible]	[illegible]	[illegible]	12,154	11,925	12,429	12,695	13,264	13,883
Total Japanese	1,065	1,078	[illegible]	1,219	1,257	1,368	1,510	1,607	1,663
Japanese EC produced	9	57	81	75.4	120	148	301	385	458

Source: DRI/McGraw Hill

First Spain, now a new venture in Hungary

SUZUKI is the [illegible] important Japanese manufacturer in western Europe, with total vehicle sales of 117,000 units in [illegible] when car sales [illegible] by [illegible] per cent to [illegible] 100,000 units.

[illegible] on the Swift and Alto [illegible] SJ (Samurai) 4WD sports-utilities and the Carry van, [illegible] built at the [illegible] Isuzu IBC operation in the UK and badged as the Bedford [illegible]cal in certain [illegible].

Suzuki plays no role other than as a supplier of [illegible] IBC and has no plan to step up its involvement further.

The Japanese manufacturer now in [illegible] controls the Land Rover Santana operation in Spain following Land Rover's disposal of its 23 per cent stake in the company last year. [illegible] has slowly built up its stake in the operation, from an initial [illegible] per cent in 1984 to 17 per cent in 1986, 32 per cent in April [illegible] and finally to 49 per cent. The company builds both the SJ and Vitara, as well as a version of Land Rover's [illegible]able [illegible] range.

In [illegible], 21,000 Suzukis were built at the plant compared [illegible] just 6,000 Land Rover [illegible]. At present, however, [illegible] has [illegible] fully integrated into [illegible] operations: the company [illegible] sell [illegible] Suzuki products in Scandinavia and must compete with exports of the Vitara from Japan in some [illegible].

Nevertheless, the facility building the Suzuki [illegible] is modern and in the longer term [illegible] expected fully to integrate Santana into its operations, taking majority [illegible] and increasing output although car production still remains unlikely.

In total, Suzuki sells about 76,000 Japanese-built [illegible] in [illegible] Europe, 21,000 Spanish [illegible] and a combined 20,000 UK-built Carrys and Indian-built [illegible] (or Maruti 800) is built by Maruti, which produces [illegible] units a year in India primarily for the [illegible] market, from where they are exported to European markets.

Suzuki's operations in

Suzuki

Europe are set to expand further [illegible] agreement to assemble cars in Hungary. A joint venture with a Hungarian consortium is being established to [illegible] 1.0 and [illegible] litre 5-door Swift cars.

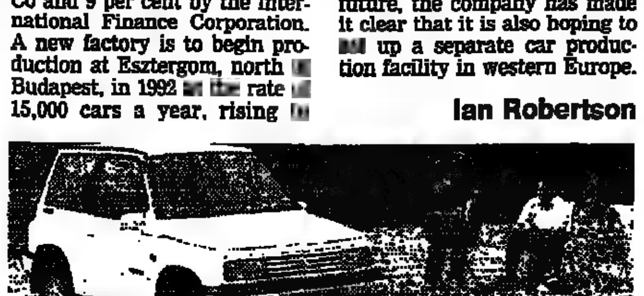
The new company, capitalised at Y10bn ($73m), will be [illegible] by the Hungarian consortium Autokonszern, [illegible] by Suzuki, 11 per cent by C Itoh & Co and 9 per cent by the International Finance Corporation. A new factory is to begin production at Esztergom, north of Budapest, in 1992 at the rate of 15,000 cars a year, rising to 40,000 in its [illegible] and [illegible] in its third year. The long-term aim is to build 100,000 cars a year.

The plant is expected to [illegible] 1,100 jobs [illegible] more than Y32bn, with provision for [illegible] and [illegible] duty [illegible]. Local [illegible] is to be raised to some 70 per cent by [illegible] and plans call for [illegible] per cent of output to be exported to [illegible] Europe.

Primarily a [illegible] of motorcycles and minicars, Suzuki's potential to penetrate the European market has been limited, driven recently by the [illegible] and its long [illegible]. The company also has ambitions to penetrate the medium saloon [illegible]. A Swift replacement is on the way for 1993 and there are also suggestions of a new niche vehicle – a mini people-carrier – to come.

In spite of the Suzuki operations in Spain and its recently announced [illegible] in Hungary, which combined [illegible] form the [illegible] of Suzuki's manufacturing operations in Europe for the [illegible] future, the company has made it clear that it is also hoping to set up a separate car production facility in western Europe.

Ian Robertson



Suzuki Vitara: made in Spain for Europe

Plans to raise stake

MITSUBISHI, the fourth most important Japanese supplier to the European car market after Nissan, Toyota and Mazda, increased its car sales in Europe by [illegible] per cent last year to 172,000 units, with commercial vehicle sales up 8.8 per cent to 29,500 units. It would like to expand this to 400,000 vehicles by the end of the decade and in preparation it is planning to raise the stake in its German importer MADG as well as in the UK and [illegible] operations.

More than 40 per cent of Mitsubishi's car [illegible] accounted for by the buoyant German market with the UK, the Netherlands, Austria and [illegible] contributing more than 10,000 unit sales. The company is particularly strong in the car [illegible] of the Efta member countries. In terms of commercial vehicle sales, Mitsubishi is second only to Nissan and Toyota as a Japanese supplier to the European market.

[illegible] its [illegible] as one of Japan's top [illegible] heavy truck producers, the company is one of the only Japanese manufacturers [illegible] in this sector in Europe, although [illegible] are fairly insignificant in a sector comfortably [illegible] by [illegible] manufacturers.

Mitsubishi also announced last year that it was to export its US-built Eclipse coupe to western Europe. [illegible] called for 200 cars a month to be shipped [illegible] regulatory *approval had been granted.* However, it is unclear whether the exports will go ahead given the downturn in the European car market and the interim appreciation of the dollar.

The company is boosting its image in Europe by focusing on incorporating the most [illegible] technology in its models at competitive prices. The recently launched [illegible] was [illegible] Japan's Car of the Year for 1991.

It features traction control, [illegible], three-channel [illegible] and a [illegible] array of the latest [illegible] and [illegible]. The latest Shogun [illegible] advanced "Super Select" [illegible] and the performance 3000 GT, not yet confirmed but expected in Europe in 1992, features a twin turbo 24-valve V6 engine with 4WD and 4WS.

A new Colt/Lancer is [illegible] in Japan in [illegible].

Mitsubishi

It will incorporate the smallest production V6 engine yet – just 1.6 litres – as well as a breakthrough "high economy" unit.

Replacement [illegible] Wagon people-carriers, as well as smaller Space Runner variants, will have their European debut at this autumn's Frankfurt Motor Show.

Mitsubishi's ambitions in Europe took a major step [illegible] realisation in early [illegible] with the confirmation that the company is to enter into a joint venture to produce cars in Europe. It involves a three-way operation with Volvo of Sweden and the Dutch government which [illegible] 70 per cent of Volvo Car BV, Volvo's [illegible] *affiliate.* Mitsubishi, [illegible] of [illegible] and Volvo Car BV are [illegible] to hold [illegible] per cent in the restructured joint company situated at Born, Holland. A new line will be added to the 140,000-capacity plant to produce [illegible] cars a year [illegible] through the Volvo and Mitsubishi [illegible] in Europe, while production of the [illegible] to the [illegible] series will continue along [illegible] lines.

The original, provisional agreement between Mitsubishi and Volvo called for production of the Mitsubishi Colt/Lancer range at the Dutch plant with [illegible] body styles for the two marques and start-up [illegible].

Mitsubishi has [illegible] been in negotiations recently with Chrysler and Mercedes-Benz about possible joint European production. The company [illegible] declined an invitation to invest in [illegible] Germany. The *much-heralded* agreement between Daimler-Benz and the Mitsubishi group of companies has yet to lead to any concrete developments in the automotive sector, although co-operation in the commercial vehicle [illegible] would [illegible] to offer considerable opportunity. Recent reports highlight differences in product philosophy but the first of these negotiations to reach fruition could still be the joint development of an all-terrain passenger vehicle by Mitsubishi [illegible] and [illegible] to replace the Mercedes G-Wagen. The companies are also studying the possibility of joint [illegible] into car [illegible].

Along with Mazda, Mitsubishi has probably set itself the most ambitious targets among the Japanese car manufacturers worldwide. By 1995 the company hopes to be producing 800,000 cars overseas (compared with 400,000 last year), 240,000 of which will be produced in the US and 100,000 in Europe.

Ian Robertson

EASTERN EUROPE

Potential new market of 420m

THE desire of eastern and central European nations for speedy re-integration into the world economy opens up a potential market [redacted] 420m people and opportunities for low-cost production which will dramatically condition the future of the [redacted] car industry.

The balance [redacted] in the European car market [redacted] already been tilted in [redacted] gen's favour by the emergence of a strong [redacted] market in for[redacted] Germany and the strong demand for second-hand cars from poorer buyers elsewhere in eastern and central Europe. Thanks to the German re-unification bonus, Volkswagen has taken a big lead over Fiat in the European leadership [redacted] which it clearly intends to consolidate through its strategic [redacted] in Skoda and Baz of Czechoslovakia.

Skoda [redacted] by far [redacted] best [redacted] producer in the region and has moved smartly to fill a [redacted] at the lower end [redacted] once reserved [redacted] such as [redacted] Trabant. The new Skoda Favorit has [redacted] best-selling [redacted] in Yugoslavia and [redacted] in [redacted] East [redacted] many.

But VW's commitment [redacted] inject capital, know-how and [redacted] marketing network in return for eventual 70 per cent control ensures that Skoda is well placed to repeat VW's success story with Seat in Spain. By [redacted] footwork VW [redacted] managed to [redacted] which was [redacted] interested in the small Slovak pro[redacted]. VW managed [redacted] secure an 80 per cent stake and will [redacted] Passat models as well as gear boxes at its Bratislava plant.

For Fiat, the growth of competition in its [redacted] protected domestic market, raises [redacted] importance [redacted] Poland and [redacted] Union in [redacted] overall production and marketing plans. Fiat [redacted] the long-term potential of eastern Europe and the Soviet market three decades ago. It concentrated on licensing and produc[redacted] agreements in the two most populous countries of the region, Poland with 38m [redacted] the Soviet Union with 280m people. It gained immense experience in negotiating with the [redacted] hierarchies and in solving the [redacted]cal, organisational and other specific difficulties of building and assisting production in huge green field plants initially employing thousands of workers without prior experience [redacted] the automotive industry. In this it was able to draw on its own experience of the industrialisation of post-war Italy and in Third World markets.

Thanks [redacted] Fiat [redacted] Soviet Union [redacted] world's larg[redacted] producer [redacted] model Fiats, adapted [redacted] the Soviet climate and primitive road and service infrastructure. They are still being turned out in their hundreds [redacted] thousands from Togliatti, named in honour of [redacted] former [redacted] Communist Party leader. It [redacted] a similar story in Poland where the Fiat 125, the baby Fiat 126 and derivative Polonez models need desperately [redacted] be [redacted] by [redacted]itive [redacted]

The balance of power in the European car market has already been tilted in Volkswagen's favour by the emergence of a strong new market in eastern Germany

In [redacted] Polish [redacted] Fiat [redacted] already [redacted] the FSM plant in [redacted] Biala [redacted] southern [redacted] where [redacted] helped fund [redacted] modernisation [redacted] former [redacted] plant [redacted] produce [redacted] around 160,000 new "cinque[redacted] which 100,000 will be exported to western Europe to [redacted]ment. Output could [redacted] 220,000 a year eventually.

It is a different story at the obsolete FSO plant in Warsaw where Fiat would like to build Tipo-style family saloons, engines and gearboxes. But Fiat's proposals to merge [redacted] and FSM into a new holding structure with a special "strategic investor" role for Fiat fell foul of political opposition to granting it near monopoly status. Fiat also had to contend with a strong lobby which favours more American investment, for political as well as economic reasons.

It is against this background that General Motors made its own feasibility study for a $100m assembly operation to produce 30,000 to 50,000 saloon cars at FSM. A decision is expected before the end of the year.

GM's approach to Poland is part of its wider European strategy which has already been amended [redacted] take in the potential of [redacted] new pan-European market. It has already invested DM1bn in a new plant [redacted] Eisenach in former [redacted] Germany [redacted] build [redacted] new Astra model [redacted] from [redacted] green field factory incorporating all the latest in production technology [redacted] from its joint ventures with Toyota and Suzuki in the US. The [redacted] will [redacted] assembled in small volumes at Szentgotthard in Hungary where GM [redacted] investing heavily in [redacted] engine plant capable [redacted] turning out 200,000 engines a [redacted]

GM has [redacted] the [redacted] among US producers in [redacted] central Europe although Ford recently signed [redacted] £24m [redacted] supply 20,000 die[redacted] for the Moskvitch replacement, the Aleko, [redacted] on [redacted] But the [redacted] remains [redacted] alongside GM's $1bn [redacted] to supply [redacted]lytic [redacted] and engine parts [redacted] the [redacted] plant [redacted] Gorki. They will [redacted] in Soviet-built cars [redacted] for pollution-conscious [redacted]

In general, however, [redacted] companies [redacted] big [redacted] in [redacted] Union. Mercedes Benz [redacted] DM250m deal for production [redacted] buses under [redacted] in the [redacted] Union but plans [redacted] production of Mercedes saloons [redacted] marking time.

Delay is also dogging Fiat's ambitious plans to help build a green field plant at Yelabuga to produce 300,000 Uno-type small cars and 300,000 Panda utility cars as well as large-scale engine-building facilities. The first stage of the project has been transferred from Yelabuga [redacted] the [redacted] plant [redacted] Togliatti while Fiat is [redacted]gating [redacted] possibility of taking a [redacted] per [redacted] in VAZ, which [redacted] the largest [redacted] company, producing more than [redacted] of the [redacted] annual 1.2m [redacted] output. VAZ, like [redacted] the biggest truck pro[redacted], [redacted] prime target for privatisation, [redacted] absolutely unthinkable when Fiat began its co-operation with the Soviet Union. Now it is a real possibility as the Soviet Union seeks the capital, know-how and managerial skills to shift its war-based economy to the fulfilment of pent-up consumer demand.

Anthony Robinson

Andrew Fisher looks at the impact of German unification

The very models of a modern motor car

WHEN THE German border was opened nearly two years ago and west and east could see how the other side lived, one of the most obvious differences was in the types of car people drove.

In Germany, the land [redacted] Volkswagen, Mercedes-Benz, BMW and Porsche, the car is one of the most desired of consumer objects. West German roads and autobahns have become more and more congested over the years as the number of car owners has grown in line with the expansion of the economy.

For east Germans, who also love cars but were long deprived of the variety available in the west, it was a galling sight [redacted] their own humble Trabants and Wartburgs [redacted] compared with [redacted] and environmentally cleaner [redacted] driven by [redacted] Germans. Many east Germans have discarded their old cars, for which they had had [redacted] wait patiently for [redacted] years, and [redacted] their savings [redacted] borrowed money to buy Opels, VWs or other European and Japanese [redacted]

Not surprisingly, therefore, the vehicle industry [redacted] been [redacted] of [redacted] forerunners in west German [redacted] in the [redacted] VW is building a [redacted] plant [redacted] Saxony, [redacted] old [redacted] factory, while Opel (part of General Motors of the US) [redacted] putting up [redacted] assembly plant in [redacted] where the Wartburgs used to be built, only [redacted] few kilometres from [redacted]

Through aggressive marketing [redacted] model [redacted] Opel has pushed ahead [redacted] VW (excluding its upmarket Audi subsidiary) in the [redacted] German market. In [redacted] VW's [redacted] and recognition [redacted] throughout Germany, this [redacted] surprising; [redacted] east, Opel had a 21 per cent market share in the first half of 1991 against 15 per cent for VW. Obviously, Mr Louis Hughes, the ebullient chief executive of Opel, [redacted] delighted. "We thought we could be [redacted] them, maybe even a little bit ahead, but to have that difference was something we didn't expect."

Not that VW has been slow [redacted] appreciate [redacted] possibilities in east Germany. It moved quickly [redacted] strengthen its links with IFA, the former [redacted] car concern. It began with [redacted] small-scale assembly [redacted] Polo model, at [redacted] bot[redacted] of its range, near Zwickau, the industrial town in the [redacted] of Saxony. It [redacted] also forging ahead with [redacted]tion [redacted] large assembly plant there [redacted] build its popular Golf family car. [redacted] total investment in [redacted] Germany is [redacted] at around DM5bn, mostly [redacted] the new plant.

Opel is not spending as much as that. [redacted] investment [redacted] around DM1bn. Both companies, like [redacted] corporate investors [redacted] east, [redacted] taking advan[redacted] of substantial incentives, covering around a third of the total plant cost. On [redacted] commercial side, [redacted] (owned by Daimler-Benz) [redacted]ing a truck plant [redacted] Ludwigsfelde [redacted] Berlin.

Initially, [redacted] intended [redacted] cars such as its Corsa in Eisenach, in [redacted] of Thuringia. Instead, it will concentrate on its mid-range Vectra and family [redacted] (the [redacted] family Kadett) [redacted] "East [redacted] small automobile," [redacted] Mr Hughes. Like the [redacted] Germans [redacted] Second World War, "they [redacted] Germans) [redacted] car".

In the harsh old days of the east [redacted] communist regime, people had virtually no choice. The most [redacted] the humble little Trabant, [redacted] a symbol of freedom after [redacted] Wall came down in November, [redacted] It carried [redacted] of people to new lives in [redacted] simply to have a [redacted] look at their richer neighbours; the [redacted] immortalised in the film, "Go Trabi Go". Many [redacted] German [redacted] decades old, having been lovingly maintained by their drivers through [redacted] network [redacted] friends and colleagues; spare parts were [redacted] to [redacted] by and obtaining [redacted] waiting for [redacted] more.

[redacted] Trabant [redacted] off the production line

Those days [redacted] long gone. The [redacted] German plants have stopped producing [redacted] unwanted models, and the [redacted] assembly lines [redacted] being installed rapidly. Altogether, estimates Mr Achim Diekmann, general manager of the German motor industry association (VDA), around [redacted] will [redacted] invested in the [redacted] German automobile industry in the next four [redacted] five years. East German automobile production, totalling less than [redacted] cars [redacted] before [redacted] collapse of the Honecker government, will be [redacted] in [redacted]

By the end of [redacted] century, east German demand for new cars is [redacted] by VW [redacted] others to [redacted] around [redacted] units a year, achieving the 500,000 mark in 1995. According [redacted] Opel's Mr Hughes, the [redacted] calculated that by producing in [redacted] Germany, it would enhance its market share; experience [redacted] shares are higher in areas where the cars [redacted] actually produced.

Compared with the population of around 16m, car [redacted] are still small. "That [redacted] growth potential," [redacted] Mr Hughes. In [redacted] of car density, [redacted] Germany is today where [redacted] Germany [redacted] in [redacted] Germany, with a population [redacted] 63m, has almost one car for every [redacted] people; in [redacted] Germany, the figure is roughly [redacted] for [redacted] four. Now that [redacted] Germany has the D-Mark, [redacted] car ownership should catch up. "We expect very, very [redacted] growth in [redacted] market", [redacted] Mr Hughes.

Opel's plans to produce [redacted] cars a year [redacted] Germany compared with 250,000 for VW. Other [redacted] companies [redacted] not investing [redacted] new capacity in [redacted] Germany, but Opel [redacted] the only automotive [redacted] there. BMW, [redacted] owned the Eisenach plant until the end of the Second World War, is building a machine tool plant in the area, while [redacted] will make components in [redacted] town.

Profile: HONDA

Wunderkind humbled

HONDA MOTOR [redacted] humbled. [redacted] wunderkind [redacted] world [redacted] industry. [redacted] leapt [redacted] car production in 1965, [redacted] grew unstoppably until [redacted] Japan's third biggest [redacted] largest [redacted] the world. Yet,even [redacted] Honda Accord became [redacted] best-selling car [redacted] US [redacted] Honda [redacted] in Japan, while [redacted] competitors grabbed market share. This [redacted] a bitter pill [redacted] for a [redacted] worked hard [redacted] reputation as Japan's [redacted] stylish and technically innovative car [redacted]

In [redacted] this year, Mr [redacted]hiko Kawamoto, president, announced a sweeping restructuring of the company's [redacted] in an [redacted] regain the lost momentum. This [redacted] all the more surprising for [redacted] company that had been praised by management gurus as a model for how to cope with rapid change. Whatever went wrong at Honda?

It would be easy, and wrong, to exaggerate the depth of Honda's [redacted] If anything, indeed, Honda has [redacted] from having [redacted] too [redacted] simply outgrew [redacted] management systems [redacted] had proved so [redacted] for [redacted] relatively small, fast-growing company.

It [redacted] also having [redacted] up to [redacted] increased complexity of managing [redacted] enterprise [redacted] is genuinely multinational [redacted] in its main markets are diverging. It is more difficult than ever [redacted] steer the company as [redacted] single unit from [redacted] centre.

[redacted] growth [redacted] speak for themselves. Honda manufactured [redacted] cars in 1970; last [redacted] it made [redacted] cars. The fast expansion [redacted] sales in the 1980s also led to a rapid [redacted] in its [redacted] employees, which increased from 55,700 to [redacted] today.

Just as important as the pace of growth, however is the ever-increasing complexity of [redacted] business. Fully half [redacted] Honda's cars are sold in the US, with Japan taking only about [redacted] cent. The company [redacted] expanding rapidly in Europe. It [redacted] 20 [redacted] of the Rover group's [redacted] operations, [redacted] is building [redacted] assembly plant [redacted] Swindon.

Fewer than half [redacted] employees [redacted] are Japanese. Honda achieved this stunning success with a [redacted]agement structure [redacted] startling for [redacted] simplicity. Mr Soichiro Honda, the company founder who died in August this [redacted] an iconoclastic engineer [redacted] instinctively dis[redacted] management procedures and [redacted]

He succeeded in establishing [redacted] reputation [redacted] innovative engineering, [redacted] a [redacted] system aimed [redacted] allowing creativity to flourish. Board members at Honda worked in a large, noisy, open-plan office, and they were not assigned individual responsibilities for specific areas [redacted] business. The [redacted] was [redacted] encourage [redacted]

While [redacted] naturally developed its own hierarchy and division of work, the underlying philosophy [redacted] that [redacted] common outlook would encourage employees [redacted] work in [redacted] same direction without elaborate, formalised procedures. [redacted] pace [redacted] Japanese [redacted] industry with [redacted] speed with which [redacted] to trends in the market, and the rapidity with which it could turn [redacted] new [redacted]

However, [redacted] the company [redacted] and [redacted] became more complex. [redacted] found its competitors were pulling ahead and [redacted] the "one [redacted] happy family" approach was slowing down the company. This [redacted] apparent [redacted] development of [redacted] 1990 [redacted] in which engineers [redacted] US and Japan argued over specifications. Although the car [redacted] in [redacted] US, Japanese buyers were lukewarm.

To [redacted] company moving again, Mr Kawamoto [redacted] split the [redacted] into three divisions: cars, motorcycles, and power products, which includes everything from lawn [redacted] small electric [redacted]ators.

Mr [redacted] and [redacted] lieutenants, Mr [redacted] Irimajiri and Mr Yoshide Munekuni, have [redacted] charge [redacted] the [redacted] divi[redacted] and [redacted] rebuilding [redacted] company's decision-making [redacted] from [redacted] bottom up. The [redacted] give middle and lower management clear responsibilities to prevent [redacted]sions [redacted] being sent up [redacted] hierarchy where they are bounced around endlessly among senior management.

This will also mean virtually independent operations in Honda's principal markets: [redacted] Japan, and Europe.

Honda has already succeeded partially in re-polishing its image at home with the launch of its hugely popular NSX sports [redacted] and with the sales of the Beat, a sporty mini-car, which [redacted] helped to reverse the [redacted] in sales.

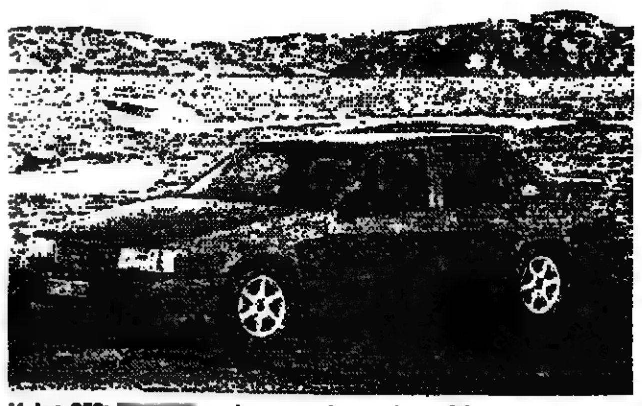
Steven Butler

WORLD CAR INDUSTRY 9


Mercedes S-Class: seeking a new standard in luxury cars


Rover 220 GTi 16v: the new flagship model


BMW [redacted] mainstream [redacted]


Volvo 850: [redacted] maker [redacted] front-wheel drive

Stuart Marshall finds a common theme in this year's new models

Designers opt for a natural improvement

ENVIRONMENTAL acceptability in its widest sense is becoming a crucial factor in the design and marketing of today's cars.

Once, it was enough simply to make cars that were beautiful and luxurious, potent and desirable or merely practical and economical.

Now every new model must be seen to make as little impact [redacted] on the world in which it operates.

Now every new model must be seen to make as little impact as possible on the world

And, when a long, safe working life is over, it must lend itself to being recycled into the raw materials from which a new generation of cars can be made.

It is a considerable tribute to the ingenuity of the world's car industry that these aims are being achieved without debasing the product or making it less attractive to look at, drive or ride in.

Take, for example, the new S-Class Mercedes-Benz saloons. They are widely held to be the best cars of their kind in the world at present. Not only do they swish silently along the German autobahn at speeds unattainable anywhere else; they are also claimed to be the least polluting as well as the most advanced cars of their [redacted]

The catalytic [redacted] the [redacted] elements out of their exhaust [redacted] reach working temperature in half the time of those in other cars.

Some of the new S-Class models would easily exceed their governed top speed of 250 kph (155 mph). But Daimler-Benz [redacted] this fact aside as barely relevant. It prefers to draw attention to the fuel efficiency and pollution-reducing capability of the electronic management systems controlling their up to six-litre engines.

Daimler-Benz talks, too, of using as few environmentally damaging chemicals as possible in manufacturing the new S-Class; of coding all its plastic parts to ease eventual recycling; and even of using only wood from non-threatened tree species for interior trim.

Thus the new big Mercedes is not only a superb machine; it is also a good example of the importance all car makers are now having to attach to environmental friendliness.

In the volume end of the luxury market, Daimler-Benz, BMW [redacted] Jaguar [redacted] now [redacted] a growing challenge [redacted]

Daimler-Benz, BMW and Jaguar are now facing a growing challenge from Japan

Japanese makers, mainly Toyota (Lexus), [redacted] (Acura Legend) [redacted] (Infiniti). [redacted] like [redacted] squaring [redacted] opposition.

These Japanese [redacted] perceived [redacted] they [redacted] up for [redacted] with [redacted] technology. They are [redacted] equal [redacted] generally more expensive European rivals [redacted] performance [redacted] Japanese producers [redacted] a profound impression [redacted] sporting high performance segment. Such [redacted] the twin-turbocharged [redacted] and [redacted] brilliant all-aluminium, mid-engined [redacted] are in [redacted] class for [redacted] except price and prestige.

Lower [redacted] performance market, [redacted] Toyota MR2, [redacted] new [redacted] hardtop coupe, with a highly innovative 24-valve, [redacted] engine of only [redacted] capacity, [redacted] European competitors apart [redacted] Elan [redacted] Volkswagen Corrado.

[redacted] shying [redacted] from producing large volumes of 2+2-bodied sporting cars, Europe's man[redacted] offer similar performance in models looking exactly like the family hatchbacks on which they are based.

Prominent among these are the new Citröen ZX Volcane, 16-valve engined versions [redacted] the Renault 19 and Fiat Tipo, the supercharged VW Polo and Britain's Rover 220 GTi.

[redacted] of the cars bought in Europe [redacted] supermini, small-medium and medium-[redacted] classes, respectively typi[redacted] by [redacted] Clio, VW Golf and [redacted] Vectra). [redacted] for [redacted] new [redacted] in [redacted] a [redacted] bigger, more powerful, better [redacted] predecessors.

This [redacted] opened [redacted] potential gap in [redacted] part [redacted] price [redacted] all-important.

Responding to public pressure, far less emphasis is being put on sheer performance

[redacted] result, a [redacted] 5 [redacted] been kept [redacted] production [redacted] a price-leader, although that model has been [redacted] by [redacted] Peugeot's latest product [redacted] a smaller, lighter [redacted] cheaper car than its perennially successful [redacted]

Higher up [redacted] market, [redacted] introduction [redacted] larger [redacted] more sophisticated [redacted] models has increased the possibilities of substitution.

The new [redacted] and 100 [redacted] are [redacted] bigger [redacted] considerably [redacted] than [redacted] cars they replace. It is foreseeable that many 100 owners will find the new 80 models most acceptable [redacted]

They offer virtually every[redacted] the larger 100s provide [redacted] terms [redacted] performance and refinement. All they [redacted] is [redacted] bulk. As traffic becomes ever more congested, this is a bonus [redacted] a positive [redacted] to trade down in [redacted] but in nothing else.

On [redacted] long journeys with [redacted] full [redacted] people and [redacted] driving a large [redacted] for everyday use, probably by [redacted] driver alone, [redacted] at [redacted] rate smaller [redacted] tiful, especially when the car still has power steering, automatic transmission and perhaps air conditioning.

The Audi 80s are only one example of this new generation of modestly dimensioned, luxuriously furnished and comprehensively equipped cars. Much the same can be said of the BMW 3-series, the Rover 200/400 and the new front-wheel driven Volvo 850 GLT, which has perhaps the best driving characteristics of any car Volvo has ever made. There are many others, especially from Japanese makers.

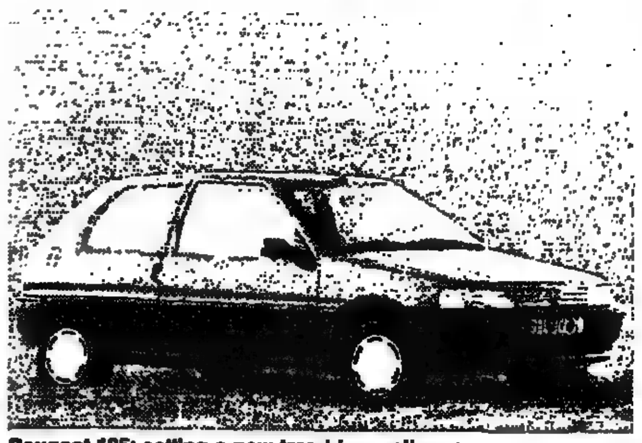
Responding to the pressure of public and official opinion, far less emphasis is being put on sheer performance. Only a handful of small volume makers of ultra-fast cars for the wealthy now boast of 300 kmh (186 mph) maximum speeds that are, mercifully, both illegal and for all practical purposes, unattainable even on the German autobahnen.

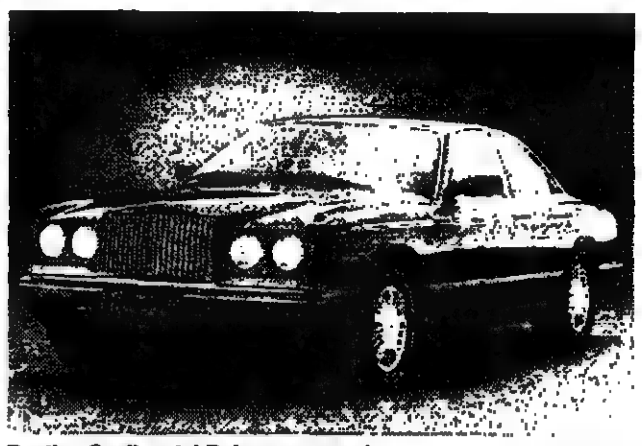
Instead, more emphasis is being put on the standard fit[redacted] catalytic converters and of the safety [redacted] of anti-lock braking systems, of [redacted] availability of electronic traction control systems [redacted] full-time [redacted] wheel [redacted]

Scientists are still [redacted] if the world is really getting [redacted] pouring of [redacted] atmosphere. But conventional wisdom [redacted] fossil fuel [redacted] burned in [redacted] engines, the better.

[redacted] the moment to reduce a car's fuel consumption is to fit it with [redacted] diesel engine. Diesels will cut consumption by about 25 per cent. Even great econo[redacted] possible with direct-injection [redacted] engines, pioneered by [redacted] Group [redacted] Perkins [redacted] introduced by [redacted] Audi, Fiat [redacted] Volkswagen.

Especially [redacted] turbocharged [redacted] intercooled, diesel cars have more than enough performance for today's traffic conditions and are little different from petrol-engined cars to drive.


Peugeot 106: setting a new trend in small cars


Bentley Continental R: luxury at a price

Even Japan has been hit by the slowdown, writes **Steven Butler**

Hurtling over the bumps

TO LOOK at the statistics, 1991 has been a dull year for J[redacted] makers. Total car production in the first half of the year fell by 2.1 per cent, with the mainstream market for small cars hit hardest. For the first [redacted] in anyone's memory, all three of the world's principal car markets – Japan, the US and Europe – have slowed down at [redacted] time.

Car company earnings will be affected as a result. Nissan, Japan's second biggest car maker, said last month it was feeling [redacted] pressure so much that it would cut capital spending by delaying the start of some projects.

But it would be wrong to see the deceleration this year as anything more than a bump in the road. While the momentum of the industry may have slowed, it is still hurtling forward with new model designs and technology that will pose a stiff challenge to the world's vehicle makers.

The new products are aimed first at gaining a bigger share of the Japanese market. As in the past, winning on the home turf will [redacted] certainly be the prelude to stronger sales abroad.

Japan's car makers are aiming for the allegiance of increasingly affluent and fashion-conscious consumers. Nissan, once thought among the dullest of car designers, spotlighted this trend in 1987 with its Cima model luxury car. Until then, large luxury cars [redacted] sold almost exclusively as executive cars for corporate fleets.

The new car revolutionised Nissan's public image, and helped reverse years of decline in its Japanese market share. The competition however was quick to respond.

"The car makers now feel that styling is a very important part of selling cars," says Mr Keith Donaldson, an analyst at [redacted] Indeed, this [redacted] with a [redacted] of [redacted] models, [redacted] sagged.

Toyota, which dominates the Japanese market with a share of more than 40 per cent, followed in the wake of Nissan and has had an even bigger winner with its Lexus marque. Last year Mitsubishi Motor picked up market share after the launch of its Diamante model, while Mazda has been swamped with orders for its Sentia luxury saloon, which came on the market only in July.

Honda, Japan's traditional leader in both engine technology and design, has been left behind in the race for boldly-designed luxury vehicles and has decisively lost its traditional third place standing in this sector of the Japanese market to Mitsubishi. The Honda Accord, which was relaunched in 1990, lacked the innovative styling offered by its competitors. The car [redacted] poorly received in Japan (although it was a big hit in [redacted] US) [redacted] image [redacted] home has suffered as a result.

Yet Japanese car companies are in a fast-moving race with competitors attacking each other at many different points. A slump in Honda sales has been reversed in recent months

Europe [redacted] seen as the main battleground for the 1990s

by the introduction of a sporty minicar, the Beat, and by spe[redacted] editions of the Civic, its basic economy car, loaded with extra features. More luxurious versions of the Accord have also been selling well and the launch of a completely redesigned Civic this month and the Prelude model should also help to revive Honda's fortunes by pandering to Japanese consumers' tastes for new models.

The battle to capture the luxury end of the Japanese market has put the country's car makers in a better position to compete against luxury car makers overseas, particularly in the US, where they have already scored winning punches against European imports. In July, for the first time ever, Toyota's Lexus and Nissan's Infinity outsold BMW and Mercedes.

Toyota and Nissan have set up separate distribution channels for the upmarket cars. Competition should heat up as Mazda and Mitsubishi plan to set up luxury distribution channels of their own in the US. [redacted] comparison, [redacted] inroads in the European market, claiming [redacted] share of 11.8 per cent as [redacted] 27.8 per cent in the [redacted] that is changing rapidly, as Japanese manufacturing capacity in Europe grows.

Europe is widely seen as the main battleground for the 1990s. The battle will be fought over styling, performance, and price. But Japanese companies are increasingly directing research and development programmes toward coping with stricter environmental and safety standards. As a possible taste of things to come, on consecutive days in late July, both Honda and Mitsubishi announced the development of engines that offer up to 20 per cent higher efficiency with no significant loss of performance. They will be available in models sold this autumn.

Although there are significant differences between the two engine designs, both burn an air fuel mixture that is lean, with [redacted] low fuel content. The lean burn allows more complete and cleaner combustion, although lean air fuel mixtures are more difficult to ignite. The two companies overcame this problem by redesigning valves and the combustion chamber.

The race to stay ahead, however, is going to be an expensive one that will not be easy to fund unless sales pick up. Although sales of [redacted]ll-sized cars (over 2000cc) rose by 39.2 per cent in the first half of the year, and mini-car sales grew by 19.4 per cent, the mainstay of the market, small cars, saw an 11.8 per cent drop. Overall domestic sales dipped by 3.3 per cent.

Higher interest rates and the impossibility of raising equity funding because of the depressed Japanese stock market have bitten into cash balances. The leading companies are still strong financially, but like Nissan they are having to ask much tougher questions about capital budgets. The cost of capital in Japan is unlikely to be as cheap as it was in the mid-1980s for a long time, if ever. And with serious labour shortages hitting the industry, making automobiles in Japan is becoming even more capital-intensive.

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WORLD CAR INDUSTRY 10

Martin Dickson sees signs of a gradual fightback by the Big Three

Cautious recovery from the deep red

THE Big Three Detroit motor manufacturers, still bleeding red ink from the US recession of the past year, are beginning to make cautiously optimistic noises about recovery. Yet any [redacted] ought [redacted] be extremely muted, for the industry still faces daunting long-term problems [redacted] it struggles [redacted] combat [redacted] more intense Japanese competition.

The Big Three – General Motors, Ford and Chrysler – collectively *lost almost $4bn in the first half of* this year as the industry went through its worst downturn in a decade, and none of the companies is expected to return to the black for 1991 as [redacted] whole.

In the first seven months of [redacted] year, US car and light truck sales totalled 7.34m vehicles, down from 8.48m in the same period of 1990, and while there are tentative signs of an upturn in demand, the recovery is likely to be very gradual. GM is forecasting 1992 industry-wide sales some 10 per cent higher than this year, of 13.5m to 14m vehicles, but still below the long-term trend in volume growth.

There is, moreover, precious little hope of demand coming into balance with manufacturing capacity in the near future, and that is likely to keep downward pressure on [redacted] prices. Over [redacted] past [redacted] manufacturers have had to offer [redacted] averaging [redacted] or more to maintain their market position.

Japanese manufacturers, [redacted] have [redacted] up [redacted] "transplant" *assembly plants* [redacted] *the US* [redacted] the past decade, [redacted] continuing [redacted] expand capacity as they [redacted] deeper and deeper [redacted] into the market. Detroit, for its part, has been [redacted] to cut capacity in line with [redacted] reduced market share.

[redacted] top-selling car in the [redacted] is Japanese – the Honda [redacted] – and Japanese [redacted] for more than 30 per cent of the US market – including Japanese cars sold through American [redacted].

Their penetration [redacted] is much more [redacted] than [redacted]. For [redacted] per [redacted] of [redacted] car market [redacted] of heavily [redacted] rental companies, which [redacted] ties [redacted] Big Three. When [redacted] excluded, Japanese cars [redacted] for well [redacted] 40 [redacted] market, [redacted] European and [redacted] products [redacted] up [redacted] around 50 [redacted].

Moreover, Japanese [redacted] particularly popular [redacted] younger buyers [redacted] on the trend-setting [redacted] Coast. [redacted] implication [redacted] Americans die, their brand loyalty will [redacted] with them [redacted] Japanese penetration will [redacted].

That said, the Japanese are [redacted] from foolproof – they [redacted] have [redacted] introduce discounts [redacted] their [redacted] and Nissan, [redacted] particular, has [redacted] finding [redacted] market [redacted] difficult. [redacted] arrogant [redacted] companies [redacted] responded vigorously [redacted] past few [redacted] Japanese threat, but [redacted] whether they [redacted] moving sufficiently far [redacted] shore [redacted] their position. [redacted] counter-offensive include:

■ Capacity cuts. Worldwide, pro[redacted] capacity [redacted] estimated [redacted] by [redacted] – but some 6m of those units are in, [redacted] at, [redacted] North American market. All [redacted] cut capacity, but [redacted] boldest, with [redacted] large rationalisation in [redacted] late [redacted], and its plants are now [redacted] by analysts to be running [redacted] near 80 per cent of capacity. However, the figure for Chrysler is around 66 per cent and for [redacted] is a mere [redacted] per cent. GM's new chair[redacted], Mr [redacted] Stempel, [redacted] pledged to [redacted] capacity with demand by the end of 1992, although company offi[redacted] recently [redacted] into [redacted].

Any [redacted] ought [redacted] be extremely muted, for the industry still faces daunting long-term problems

Plant [redacted] are [redacted] matter of delicate negotiation [redacted] the the [redacted] Auto Workers Union, and [redacted] industry's contracts with the [redacted] cost-savings [redacted] can [redacted] achieved [redacted]. GM last [redacted] signed a pattern-setting three-year deal [redacted] guaranteed workers [redacted] of [redacted] and benefits whether or not they worked.

At [redacted] time, to shut capacity is [redacted] finally admit a permanent [redacted] of markets to [redacted] Japanese, and the [redacted] manufacturers [redacted] unwilling [redacted] concede [redacted] much ground just yet.

■ Plant efficiency is [redacted] much improved – and well ahead [redacted] most European rivals – with [redacted] leading [redacted] way. [redacted] its [redacted]bly works – notably [redacted] Atlanta, Georgia, plant – [redacted] regarded by industry analysts as [redacted] as efficient [redacted] Japanese rivals, [redacted] to [redacted] implementation [redacted] better production methods [redacted] good [redacted]. Chrysler and [redacted] substantial ground [redacted] catch up.

But [redacted] Japanese [redacted] advantage of *green-field* [redacted] rural [redacted] with relatively cheap, young [redacted]. The [redacted] companies have [redacted] been [redacted]tally re-evaluating [redacted] way they organise their businesses, learning [redacted] joint [redacted] operations they have [redacted] running [redacted] Japanese. There has been a gradual movement towards the "lean" manufacturing techniques pioneered in Japan, involving changes in rela[redacted] suppliers, [redacted] corpo[redacted] departments, [redacted] workers, and in [redacted] to the cus[redacted].

The reliability and styling [redacted] American [redacted] also much improved, and the quality gap separating them from [redacted] Japanese has narrowed, if [redacted] disappeared entirely. However, [redacted] *still* much slower than its Japanese rivals in bringing new products [redacted] market – a serious deficiency in a world [redacted] and technology are changing so rapidly and the ability to [redacted] control of niche markets [redacted] an important *ingredient* [redacted] *success*.

[redacted] in spite [redacted] all [redacted] changes, [redacted] motor manufacturers [redacted] lacking in confidence about [redacted] ability to catch the Jap[redacted]. A recent [redacted] industry [redacted] by [redacted] Ernst [redacted] Young [redacted] University [redacted] Michigan asked them to rank eight companies in competitiveness now and in the year 2000.

The consensus [redacted] that while [redacted] makers would [redacted] improve their competitiveness, the Japanese *would also* get better and in many key areas continue to set standards. At the turn of the century, said the business leaders, three Japanese companies – Toyota, Honda and Nissan – would remain the most competitive, followed by General Motors and Ford in equal fourth [redacted].

■ Protectionism. Faced with all these pressures, US manufacturers [redacted] political help to stem the Japanese [redacted]. An important landmark came last June when the Big Three, in a rare display of co-operation, filed an anti-dumping suit *against Japanese producers of* mini-vans, claiming these are being sold in the US market below cost. If that suit is successful, others seem sure to follow, particularly at the luxury end of the US market, where the Japanese have been making big inroads.

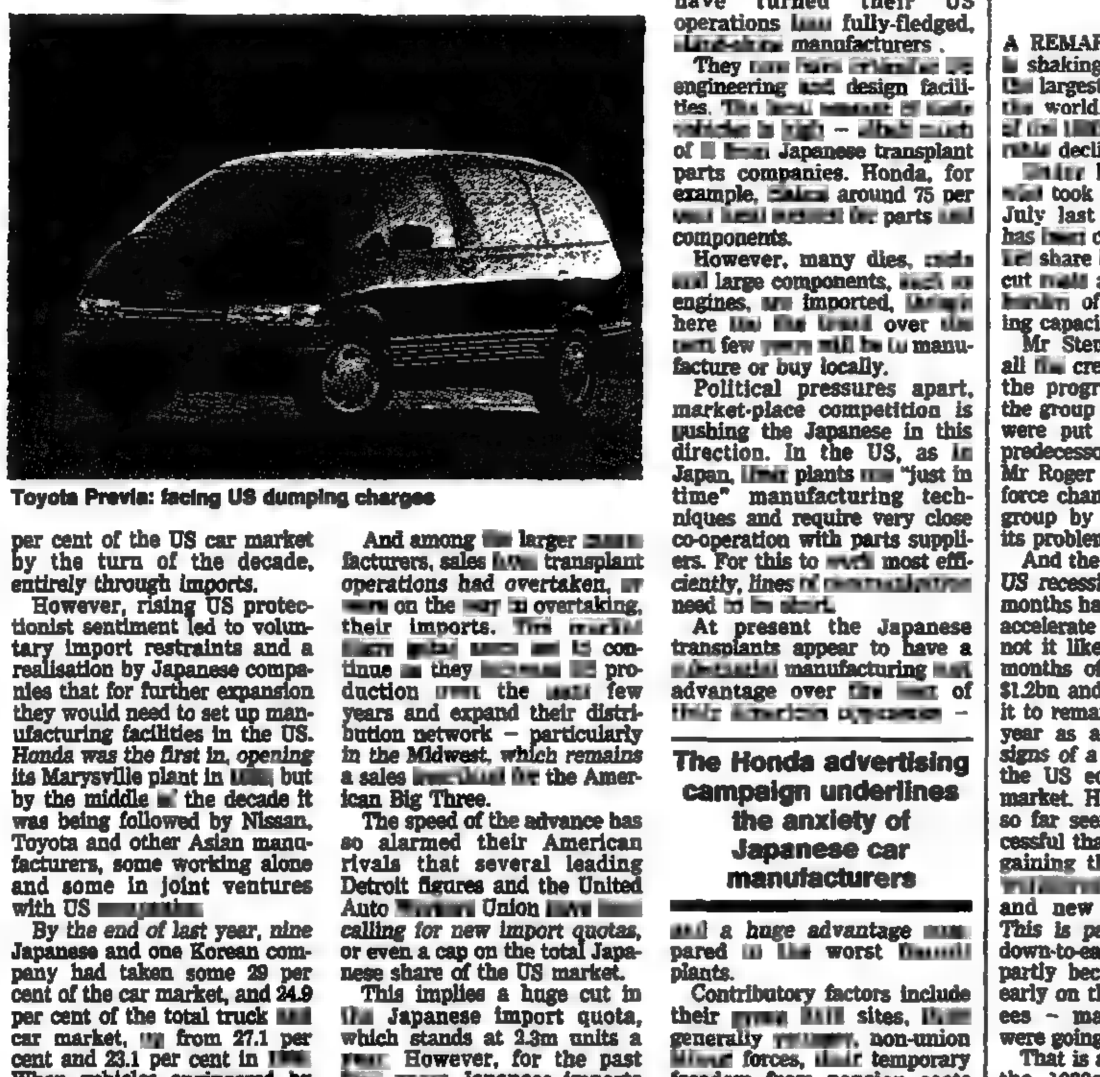
The industry has also been lobbying Congressmen for action to limit Japanese sales in the US and for relief from costs which Detroit says gives its rivals a head-start. These include high US health-care costs and onerous safety, clean-air and fuel economy regulations.

Japan is getting closer to the American consumer

Transplant sales are overtaking imports

"THE amazing new car [redacted] around corners, up hills [redacted] overseas."

Thus [redacted] Honda Motor, [redacted] Japanese [redacted] manufacturer, been proudly advertising [redacted] Accord [redacted] built [redacted] plant in Marysville, [redacted]. It is [redacted] Japanese car [redacted] be designed [redacted] built solely in [redacted] US – although [redacted] which it was [redacted] was [redacted] in Japan – and [redacted] of the vehicles are being exported [redacted] Europe and [redacted] Japan [redacted].



Toyota Previa: facing US dumping charges

The advertising campaign underlines the anxiety of [redacted] Japanese [redacted] manufacturers [redacted] set [redacted] eight factories (so-called "transplants") in [redacted] be seen [redacted] American companies at a time when their ever-increasing advances are again setting off protectionist noises in Detroit.

And the fact that the car was designed and built in the US illustrates a new trend in the Japanese companies' strategy: by researching, engineering and designing their cars in America, as well as building them in the country, the Japa*nese are getting closer to the* consumer and improving their marketing abilities, as well as speeding up the time it takes to bring products to market. And in the intensely competitive 1990s, these could prove crucial advantages as manufac*turers respond to fast-changing* consumer tastes.

The past decade has revolutionised the Japanese role in the US [redacted] industry. [redacted] 1970s saw the first big burst of expansion: thanks to the two successive Middle East oil crises, which switched the fashion to smaller, fuel efficient cars, Japanese [redacted] managed to capture some 17 per cent of the US car market by the turn of the decade, entirely through imports.

However, rising US protectionist sentiment led to voluntary import restraints and a realisation by Japanese companies that for further expansion they would need to set up manufacturing facilities in the US. *Honda was the first in, opening* its Marysville plant in [redacted] but by the middle [redacted] the decade it was being followed by Nissan, Toyota and other Asian manufacturers, some working alone and some in joint ventures with US [redacted].

By *the end of last year, nine* Japanese and one Korean company had taken some 29 per cent of the car market, and 24.9 per cent of the total truck [redacted] car market, [redacted] from 27.1 per cent and 23.1 per cent in [redacted]. When vehicles engineered by the Japanese, but sold by US companies are included, the total car total jumped to around 32 per cent last year.

And among [redacted] larger [redacted]facturers, sales [redacted] transplant *operations had overtaken,* [redacted] on the [redacted] overtaking, their imports. [redacted] continue [redacted] they [redacted] production [redacted] the [redacted] few years and expand their distribution network – particularly *in the Midwest, which remains* a sales [redacted] the American Big Three.

The speed of the advance has so alarmed their American rivals that several leading Detroit figures and the United Auto [redacted] Union [redacted] *calling for new import quotas,* or even a cap on the total Japanese share of the US market.

This implies a huge cut in [redacted] Japanese import quota, which stands at 2.3m units a [redacted]. However, for the past [redacted] Japanese imports have fallen well below that [redacted] – 1.7m units in [redacted] – [redacted] build-up [redacted] production from [redacted] transplants.

For [redacted] critics argued [redacted] transplants would merely [redacted] assembly plants employing [redacted] labour, leaving [redacted] critical jobs [redacted] done [redacted] Japan. But [redacted] prove the [redacted] for [redacted] manufacturers, [redacted] argument hardly [redacted] in [redacted] Japanese [redacted] – Honda, [redacted] Toyota – [redacted] have turned their US operations [redacted] fully-fledged, [redacted] manufacturers.

They [redacted] engineering [redacted] design facilities. [redacted] of [redacted] Japanese transplant parts companies. Honda, for example, [redacted] around 75 per [redacted] parts [redacted] components.

However, many dies, [redacted] large components, [redacted] engines, [redacted] imported, [redacted] here [redacted] over [redacted] few [redacted] manufacture or buy locally.

Political pressures apart, market-place competition is pushing the Japanese in this direction. In the US, as [redacted] Japan, [redacted] plants [redacted] "just in time" manufacturing techniques and require very close co-operation with parts suppliers. For this to [redacted] most efficiently, lines [redacted] need [redacted].

At present the Japanese transplants appear to have a [redacted] manufacturing [redacted] advantage over [redacted] of [redacted] –

The Honda advertising campaign underlines the anxiety of Japanese car manufacturers

[redacted] a huge advantage [redacted]pared [redacted] worst [redacted] plants.

Contributory factors include their [redacted] sites, [redacted] generally [redacted], non-union [redacted] forces, [redacted] temporary freedom from pension costs [redacted] their production techniques. But the [redacted] have been closing the gap on factory competitiveness, and to maintain their edge as the 1990s progress the transplants will need the flexibility that local autonomy can bring.

It would be wrong, however, [redacted] suggest that the transplants are invincible. Numerous teething problems at [redacted] them ha[redacted] encouraged Detroit [redacted] their [redacted] that [redacted] advance can be halted.

The two most successful have been Honda and Toyota. Honda makes the most popular car in the US, the Accord, and in the first seven months of this year the group accounted for some 9.4 per cent of the US car market. Toyota, the largest car group in Japan, accounted for 8.7 per cent. Both companies have been increasing their market share although in common with their US rivals they have also been hit by falling volume because of the recession. They have [redacted] to follow [redacted] large [redacted] to [redacted] showroom floor.

Nissan, however, [redacted] suffered a [redacted] problems in [redacted] US. Styling [redacted] in the early [redacted] gave its cars a dull image that it [redacted] not entirely shaken [redacted] and last year [redacted] had [redacted] pull its [redacted] mini-van off the market [redacted] it [redacted]. The group's [redacted] peaked [redacted] 1985 [redacted] cars [redacted] then nose-dived [redacted]. A succession of new [redacted] introductions, including a [redacted] luxury car, the Infiniti, [redacted] helped it pick up a little ground this year, but its car market share still stands at only 4.9 per cent.

Mazda, which established a plant at Flat Rock, Michigan, in the unionised heart of the American motor industry, ran into recurrent clashes with its labour force – partly because the Japanese group [redacted] initially [redacted] workers [redacted] more than [redacted] actually [redacted]. There [redacted] between [redacted] American executives and the [redacted] hierarchy.

Martin Dickson

GENERAL MOTORS

On the road to clawing back market share

A REMARKABLE new vigour [redacted] shaking up General Motors, [redacted] largest [redacted] manufacturer [redacted] world, which spent much [redacted] seemingly [redacted] decline.

[redacted] Mr Robert Stempel, [redacted] took [redacted] as chairman in July last year, the company has [redacted] clawing [redacted] share [redacted] moving faster [redacted] cut [redacted] and reduce [redacted] heavy [redacted] of [redacted] manufacturing capacity.

Mr Stempel should [redacted] get all [redacted] credit for this. Many [redacted] the programmes from which the group is starting to benefit were put in place under his predecessor, the controversial Mr Roger Smith, who tried to force change on the sprawling group by throwing money at its problems.

And the severe impact of the *US recession over the past 12* months has forced the group to accelerate change, whether or not it likes it. In the first six months of this year GM lost $1.2bn and Wall Street expects it to remain in the red for the year as a whole, in spite of *signs of a gradual recovery in* the US economy and vehicle market. However, Mr Stempel so far seems much more successful than his predecessor in gaining the support [redacted] for belt-tightening and new working methods. *This is partly because of his* down-to-earth personality, and partly because he made clear early on that all GM's employees – managers included – were going to share in its pain.

That is a distinct contrast to the 1980s when the group gained a reputation for demanding sacrifices from the rank and file while top executives continued to reap generous [redacted] perks. [redacted] was

The severe impact of the US recession over the past 12 months has forced the group to accelerate change

during [redacted] that [redacted] once arrogant [redacted] got [redacted]. Unprepared [redacted] the Japanese onslaught against the US market, it [redacted] of the car [redacted] drop [redacted] some 46 per [redacted] the decade [redacted] 35 [redacted] cent at the [redacted].

However, GM seems [redacted] have drawn a line, [redacted] would defend the 35 [redacted] any cost, and over [redacted] past year it has [redacted] customers. In [redacted] months of [redacted] it [redacted] per cent [redacted] the car market and aims to take this to 40 per cent over the next couple of years.

That is going to be tough, given the immense competition from US and Japanese rivals. GM's first challenge is to produce quality vehicles that excite customers, and this it may now be starting to do, with a very full programme of new model [redacted].

One of the group's first successes is a new luxury sedan, the Park Avenue, which has been a big hit for GM's Buick division, bucking the recessionary downturn. Buick has been gaining market share, thanks to a thorough revamp of its product line and marketing philosophy.

However, GM remains the high cost producer of the US industry, with its factories on average taking far longer than those of its rivals to turn out vehicles. The group is working hard to improve this. One example is the way it is cutting the number [redacted] parts [redacted] go into its cars [redacted] standardising [redacted] that remain. It also wants to change relations with suppliers, using [redacted] cut prices over [redacted] life [redacted] a contract. [redacted] example [redacted] upheaval in [redacted] product [redacted]opment operations at the Chevrolet-Pontiac-Canada [redacted], [redacted] largest North [redacted] car-making business. These [redacted] re-organised along the [redacted] efficient lines found [redacted] rival Japanese companies.

And [redacted] group has experi[redacted] an entirely new approach to car building at the plant in Tennessee which builds its new Saturn small car – a model [redacted] in the early [redacted] as an all-out US attempt to beat the Japanese in the small car market.

Saturn interior: GM's all-out attempt to match the Japanese in the small car market

Saturn vehicles went on sale [redacted] the first time last autumn but so far the project has been far from a resounding success. The Saturn plant has a production capacity of 1,200 cars a day [redacted] production [redacted] – notably problems with [redacted] plastic body – [redacted] that output [redacted] running [redacted] half [redacted] level.

[redacted] who [redacted] managed to buy the cars seem pretty pleased with them, but Saturn's shaky [redacted] not [redacted] image [redacted] will be years – if ever – [redacted] the much-hyped project [redacted] profitability.

A second big problem for GM [redacted] manufacturing capacity far exceeds demand [redacted] products. The [redacted] $2.1bn [redacted] closing [redacted] factories and Mr Stempel pledged to [redacted] running all its plants [redacted] full

Buick has been gaining market share, thanks to a revamp of its product line

capacity by [redacted] end [redacted] recently, however, [redacted] has [redacted] a slight [redacted] goal, [redacted] officials saying [redacted] growth in [redacted] US means [redacted] may [redacted] some time [redacted] capacity is achieved.

[redacted] savings [redacted] will [redacted] from [redacted] limited by [redacted] three-year labour agreement Mr Stempel signed last [redacted] with [redacted] United Auto Workers Union, which guarantees employees most of [redacted] pay, [redacted] they work.

Still, [redacted] new relationship with the [redacted] – essentially trading job security for work-place flexibility – [redacted] enabled the [redacted] to [redacted] a potentially important agreement allowing [redacted] Ohio assembly plant to [redacted] operated with three assembly crews – a strategy GM [redacted] already used in [redacted] highly successful European operations. The European business, which made $1.9bn last year, is playing a vital role off-setting the red ink in North America, and it will need to do so for a considerable time yet. GM [redacted] acknowledge that, in spite [redacted] all [redacted] upheaval and cost-cutting, [redacted] North American operations [redacted] unlikely to be profitable again until [redacted] market for [redacted] and trucks rises [redacted] 15m vehicles a year. And that is not likely until 1993 at the earliest.

Martin Dickson

WORLD CAR INDUSTRY 11

Ecology-conscious countries are seeking to introduce strict regulations on emission control

California sets exhausting standards

CALIFORNIA, the US's most *populous and richest state, is a crucial market for expensive cars.* But California is also where the world's first laws were enacted to control the emission of noxious gases from car exhausts, and since the late 1960s those laws have been progressively tightened.

It is not, however, merely that California sets its own exhaust emission standards. What makes its standards crucially important is that they have usually been adopted, after a delay of one or two years, as US Federal standards. That, in turn, has been enough to ensure their adoption in other countries, including Japan, which suffer severe air quality problems or which, like Sweden, are acutely ecology-conscious.

The process has sometimes extended over a long period. The Calfornian regulations of 1980 were generally applied to all new cars sold in the US from the 1983 model year, and in Japan from shortly afterwards; but those same standards will not apply to all new cars sold in the EC until January 1, 1993. It is unlikely, however, that it will take nearly 15 years for subsequent Californian initiatives to be embraced in Europe. The Germans in particular, along with the Swiss and the Scandinavians, [illegible] make more progress in this direction.

The [illegible] regulations are significant because they involve [illegible] large additional [illegible] emission control system.

They can only be met, [illegible] within the foreseeable [illegible] of technology, by fitting [illegible] catalytic [illegible]verter within which precious metals induce noxious fumes (carbon monoxide, unburned hydrocarbons, oxides of nitrogen) either to oxidise or to decompose into harmless – in a toxic sense at least – carbon dioxide, water vapour and nitrogen.

A typical catalytic converter costs perhaps £100 but it [illegible] only [illegible] beginning. For the converter [illegible] work properly, the contents of the exhaust gases entering it need to be carefully controlled. The temperature must be correct (most converters "light off" at around 300degC, but begin to suffer if they get too hot) and there must [illegible] enough residual oxygen to permit the oxidisation process to take place. [illegible] requirements can be met only by fitting the engine with an electronically-controlled [illegible] injection [illegible]tem, adding at least another £100 by comparison [illegible] a system [illegible]

The reason the EC took longer than any other part of the industrialised world to bite the bullet of this extra cost was political. Its ecological hawks, the Germans and their allies, spent years convincing those [illegible] by the owners [illegible] small, cheap cars – the Italians, the French and to a degree the British – that there was really no alternative. Now the EC must look to the next stage, because California has not stood still and the rest of the world is already following.

The scene is shifting. It is now widely acknowledged that the emission standards set for California for model year [illegible] "US94" [illegible] of [illegible] hydrocarbons and [illegible] oxides of nitrogen, represent something close to the limit of what can be achieved with a conventional engine. In most cases the US94 limits can be met by further refinement of existing systems: by fitting catalytic converters with electrical heaters to bring them more quickly to operating temperature, by recirculating a proportion of exhaust gas back to the engine intake, and similar measures which will not, by and large, involve an incremental cost like that of adopting the catalytic converter and electronic fuel injection.

> **Fleets of methanol-fuelled cars are being run in California by US car makers and Japanese and German importers**

California is not, contrary [illegible] some fears, about to [illegible] overall emission standards to the point where its citizens will have to junk their cars and return to public transport or the bicycle (though the diesel engine manufacturers still have some technical problems to [illegible] of particulate emissions). Instead, it [illegible] to have decided that the most realistic way to achieve further reductions in emissions is to adopt what might be called a "proportional" approach. Accordingly, the state has already proposed that by a series of target dates stretching into the 21st century, sales of new vehicles should include a proportion of what are defined as Low Emission Vehicles (LEVs) and Zero Emission Vehicles (ZEVs).

The [illegible] will [illegible] fuels, most probably methanol, which will among other things begin [illegible] emissions of [illegible] California [illegible] as [illegible] anywhere [illegible] Effect.

[illegible] of methanol-fuelled [illegible] cars are already being run in the state by the "big three" American car manufacturers, and the big Japanese and German importers. The ZEVs will inevitably be electrically-powered.

The [illegible] Californian approach [illegible] problems for the car manufacturers, who will have to ensure [illegible] sales in California from (about) 1998 will have to include the requisite proportion of LEVs and [illegible]. First, they will have [illegible] develop suitable vehicles, a process which is already under [illegible]. GM, [illegible] instance, [illegible] shown [illegible] series [illegible] electrically-powered prototypes and [illegible] seriously about putting [illegible] into small-scale production, and BMW has announced its own variation on the theme.

The manufacturers' second problem is that almost certainly, they will [illegible] to "buy" their LEV [illegible] ZEV sales. The limited [illegible] and performance of [illegible] cars [illegible] them unattractive [illegible] they can [illegible] cheaply, and the cost figures emerging from technical discussion look anything but [illegible]. Consequently, it seems certain that pricing policy will in [illegible] involve conventional cars subsidising electric vehicles.

This will be no problem as long [illegible] the required proportion [illegible] ZEVs is small. If it rises [illegible] a significant level, anything over 10 per cent, then market distortions will begin to arise. The simplistic assumption that by the year 2010 every Californian household will have a ZEV to take into town and [illegible] car (or LEV) for long journeys takes [illegible] account of cost differen[illegible] – just as most calculations of [illegible] running [illegible] assume the exclusive use of cheap off-peak power.

In this respect, California is doing the rest [illegible] world a service: if the crunch comes (bearing in mind that the [illegible] so far adroitly [illegible] any ultimate confrontation with either [illegible] highly motorised popula[illegible] those who provide the vehicles) then we shall all be in [illegible] position to learn. The most likely conclusion, however, [illegible] that California will continue to point the way in which the [illegible] of the mobile world will develop, [illegible] inevitable interval.

Jeff Daniels

SOUTH KOREA

Out of the pits

SOUTH KOREA'S car manufacturers are getting back on track after a protracted stay in the pits.

Exports, which slumped so sharply in the past few years, are recovering, while the domestic market continues to show strong growth. Improved design and technology are also apparent in the host of new models which have been taking to the streets.

Total production for the six Korean car manufacturers reached 517,128 units in the [illegible] half [illegible] year, an increase of 19 per cent over the comparable period [illegible] year. Exports [illegible] by an impressive [illegible] 164,000 units, while domestic sales rose by almost 20 per cent to 342,953 units.

There are several reasons for [illegible] improvement. On [illegible] export side, [illegible] Korean car manufacturers have had a fair degree of success in diversifying sales away from the flagging US market. Eastern Europe, south-east Asia and the Middle East have seen the strongest gains.

At the same time, [illegible] and labour disputes [illegible]ers and at their component suppliers, which have caused serious disruption every year since 1987, have been less frequent this year. As a result, production has been smoother and there have been fewer quality problems which have dogged overseas sales in recent years.

On the domestic side, progress has also been steady. The continued rise in South Koreans' disposable incomes has created ready customers for the new models which have been rolling off the production line. Sales of just under 1.11m are expected in the Korean market for the full year.

But beneath the picture of improved performance there remain a series of challenges which must be overcome. For all the factors which lie behind the increases in production and exports there are caveats which may take some of the wind from the Korean car makers' sails.

In the case of the new markets, for example, there are limits to the amount of growth which can be expected. Eastern European countries, in particular, face constraints on hard currency and may find it difficult to maintain their appetite for imported cars.

"I don't believe we will continue to see the same growth from eastern Europe," says Mr N.M. Kim, managing director of export marketing at Hyundai Motors, [illegible] car maker.

[illegible] the time being, [illegible] Europe [illegible] with [illegible] and [illegible] Middle [illegible] provide [illegible] for Korean manufacturers. But they will never represent [illegible] alternati[illegible] to the US – which [illegible] Korea's single big[illegible] export market.

In this respect, the news is not particularly encouraging. [illegible] continue [illegible] a protracted [illegible] in the American market. Production [illegible] Hyundai's [illegible] plant – which supplies the Sonata to the US market is running at less than 50 per cent capacity while shipments from Korea [illegible] 1987 and [illegible] levels.

"Everyone is saying that the US economy [illegible] starting [illegible] recover," [illegible] Mr Kim. "But I don't see any improvement in the car market yet."

The Hyundai executive is more optimistic about labour relations. His company, like most of Korean industry, experienced a surprisingly peaceful wage-bargaining season.

Mr Lee Dong Hwa, general manager of the Korea Automobile Manufacturers' Association, *subscribes to this view.* "Management and labour have learned that there is little to gain from strikes. They are now more experienced in solving problems through negotia[illegible]."

[illegible] improvement [illegible] labour [illegible] Korean car companies are now able to devote more time to the problems [illegible] upgrading [illegible]ciency [illegible] productivity [illegible] enhancing [illegible] and quality.

[illegible] too, [illegible] been progress. The new [illegible] have been rolling off Korean production lines – from the sporty Hyundai [illegible] Daewoo Espero Saloon – are a long way removed from [illegible] humble Pony which spearheaded [illegible] move into the [illegible] in 1986. Certain models of the Scoupe are also fitted with an engine developed by Hyundai earlier this year.

But in terms of engineering and production technology the Korean manufacturers still have a lot of catching up to do

Hyundai Elantra: new launch in US and Europe

with their international, and particularly Japanese, rivals.

"The overall trend is much better," says Mr Kim. "This is perhaps the turning point."

Executives at Kia Motors, the second largest manufacturer are, however, unlikely to agree. A protracted labour dispute in July halted production for several weeks and caused a downturn in year-on-year production figures for the industry as a whole in that month.

The disruption at Kia shows that the risk of labour unrest has not been removed. But it also suggests, on a more encouraging note, that there is a process at work which is creating improved workplace relations.

Unlike Hyundai and Daewoo Motors – a 50/50 joint venture with General Motors – Kia has hitherto seen very few industrial disputes. The fact that it is now experiencing a strike, while its counterparts are enjoying relative industrial peace, suggests [illegible] is a learning process [illegible]ment and labour which Kia executives are only just confronting.

A recent report by Kia Economic [illegible] Institute, [illegible] respected think [illegible] on [illegible] local automobile industry, argued that failure [illegible] increase productivity in line [illegible] Japanese manufacturers was eroding the competitiveness of the Korean carmakers.

It cited the fact that a four-door Hyundai Excel has seen its price in the US increase from $7,890 to $8,115 over the past year. The price of [illegible] Toyota Tercel, one [illegible] competitors has, by contrast, fallen from $9,198 to $8,998.

Reduced wage increases and the introduction of new production lines by several of the Korean car makers should help reverse this erosion in competitiveness. Along with continued improvements in technology and design capabilities these are the principal factors which will determine [illegible] Korean [illegible] industry [illegible] resume its inroads into international markets.

AUSTRALIA

Missed opportunities

BY ANY standards, the Australian car industry is guilty of one of the world's great missed opportunities. In the late 1950s, when Japan was [illegible] recovering industrially and psychologically [illegible] the effects of the [illegible] War, Australia was the world's seventh largest car maker, and the biggest in Asia.

That combination, combined with *the country's high standard* of living and access to international capital, provided the Australian industry with an opportunity to develop a big exporting industry.

It never happened. A little over 30 years later, Australia produces only about 1 per cent of annual global car production [illegible] around [illegible] units, roughly equivalent [illegible] a [illegible] one of the major Japanese manufacturers.

[illegible] opportunity was [illegible] Australia [illegible] to insulate its economy behind high tariff walls and import quotas, rather than face aggressive competition in world markets.

The strategy encouraged foreign manufacturers to set up [illegible] assembly plants [illegible] produce vehicles for the growing domestic market. As a result, Australia's 17m people are served by five domestic car makers, [illegible] Motors' Holden's Automotive [illegible] of [illegible] US, [illegible] Toyota, Nissan and [illegible] of Japan.

But while the five companies competed strongly for domestic sales, the lack [illegible] competition led to a high cost structure which depended on protection [illegible] survival.

This delicately [illegible] of cards began to tumble in 1984, [illegible] Mr Bob Hawke's recently elected Labor govern[illegible] began deregulating and opening [illegible] the Australian [illegible] the board.

In [illegible] car industry, [illegible] changes [illegible] form of the [illegible] Car Plan, named [illegible] Senator John Button, the *Industry Minister who was its* [illegible] and regulator.

The plan was based on the belief that the existing structure [illegible] the industry – five manufacturers producing 13 models with annual production [illegible] averaging 28,000, but in [illegible] 10,000 – was [illegible] in an open mar[illegible].

[illegible] solution, Mr Button and the car makers agreed, was for protection to be progressively reduced, gradually increasing the pressure for more efficient production through rationalisation of the model range and co-operation between manufacturers.

Under the first stage of the plan, tariff [illegible]on has been cut from a [illegible] rate of 57.5 [illegible] in 1985 to 37.5 [illegible] cent, and will fall to 35 per cent in January. In addition, import quotas have been abolished, together with an 85 per cent local content scheme for domestically produced cars.

The plan also provides an export facilitation scheme under which manufacturers are encouraged to increase production runs of more popular models in return for reductions on tariffs on imported components.

So far, the plan has produced mixed results. It has [illegible] reducing [illegible] models being [illegible] from [illegible] eight, all [illegible] which have production runs of more than 20,000. But average production is still only 46,000 – low by world standards.

There have also been two co-operative agreements – [illegible] product-sharing arrangement [illegible] and Nissan which has increased capacity [illegible] at several plants, and [illegible] merger [illegible] Toyota [illegible] GMHA under which both companies' production will be owned by [illegible] jointly-owned h[illegible] company.

However, the joint venture [illegible] yet [illegible] be implemented, [illegible] lit[illegible] – no assembly plants [illegible] closed [illegible] Queensland plant in 1985.

Exports are up 112 per cent since 1985, largely thanks to shipments to the US of Ford's open-top Capri, but total volume remains insignificant [illegible] 22,478. There are also doubts about the viability of export [illegible] without [illegible] import [illegible] provided [illegible] the export [illegible].

[illegible] importantly, [illegible] between [illegible] Japanese production costs is still around [illegible] – enough to wipe out the domes[illegible] industry in a relatively open market.

[illegible] background of [illegible] the government [illegible] year to tighten the efficiency squeeze [illegible] industry. Mr Hawke announced in May that tariff protection would be cut by [illegible] percentage points a year from next year, to [illegible] target of 15 per [illegible] 2000.

The policy tightening was opposed by all five carmakers, some [illegible] whom hinted they [illegible] be forced [illegible] end Australian *production* [illegible] *protection* was [illegible] further. [illegible] has yet [illegible] on [illegible] threat, but Mr Norman Iddles, Toyoya Australia's vice-president for [illegible] planning, spoke for [illegible] when he warned recently that [illegible] industry would "change dramatically" in [illegible].

In Mr [illegible] words, [illegible] between quitting [illegible] manufacturing [illegible] cutting [illegible] through heavy capital investment and [illegible]. So far, only Toyota has committed itself to significant capi[illegible] investment, although [illegible] plans to spend [illegible] new manufacturing plant in Melbourne will [illegible] benefit GMHA through the joint venture agreem[illegible]

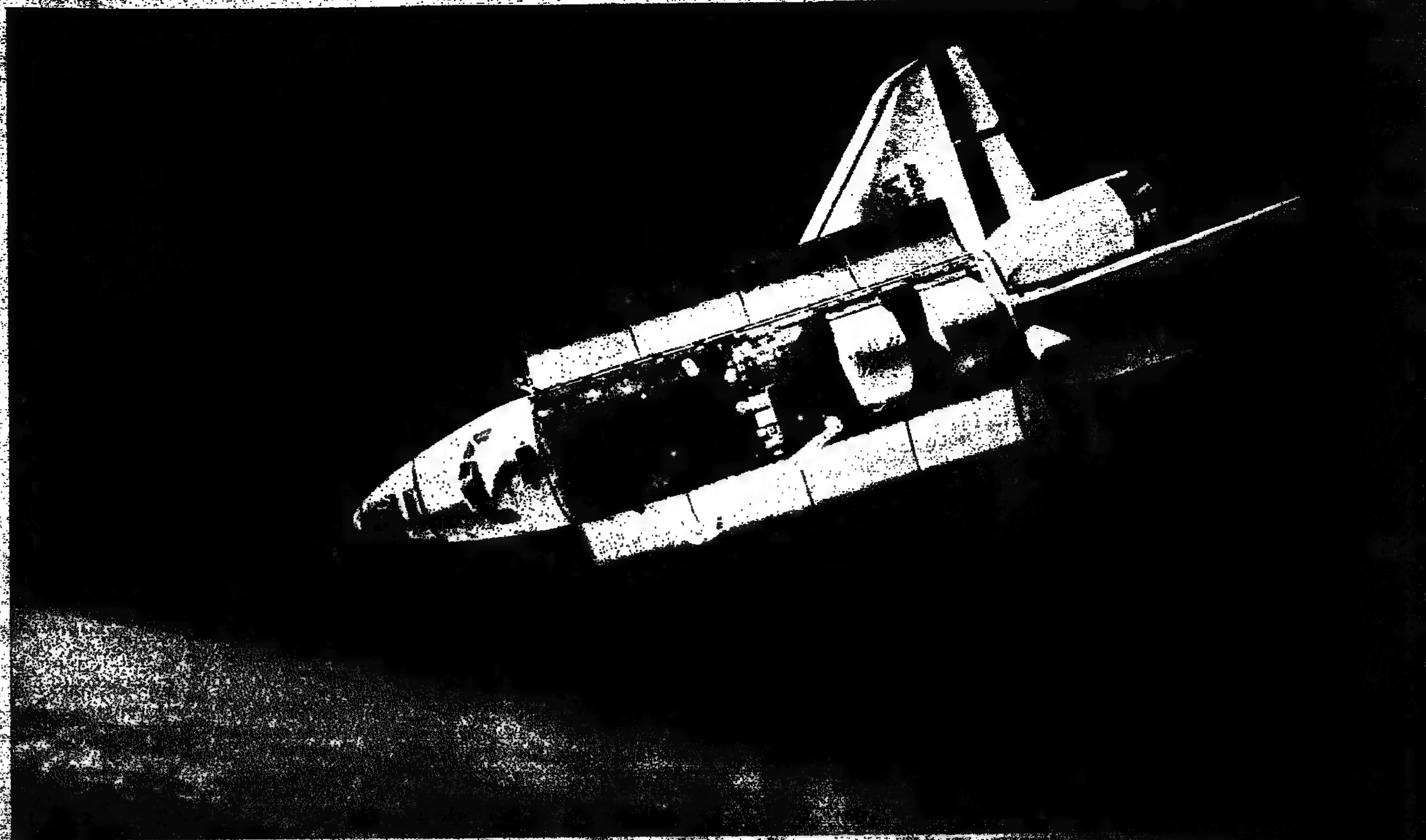
Ford [illegible] Mr Jac Nasser, president [illegible] Ford Australia, says the company will continue to manufacture [illegible] Australian-designed Falcon until [illegible] 1998, but Mr [illegible]old Poling, [illegible] US parent, [illegible] the group will [illegible] for [illegible] couple of [illegible] whether long-term manufacturing in [illegible]

Nissan and Mitsubishi have [illegible] intend [illegible] continue building [illegible] in Australia [illegible] future. However, Nissan has accumulated losses of A$500m over the past 15 years, and has been hit *hard by a fall in prices caused* by the Button Plan. Mitsubishi makes only one model in Australia.

In [illegible] short term, [illegible] are suffering badly [illegible] combined [illegible] of [illegible] and tariff [illegible]. Nissan made [illegible] record A$125m net [illegible] on [illegible] operations last year, while Ford lost [illegible], [illegible] Mitsubi[illegible] profit was [illegible] from A$41m to [illegible]. Toyota and GMHA have [illegible] revealed results.

In the longer term, they will need patience and deep pockets [illegible] survive. Mr Bill Scales, chairman of [illegible] Automotive Industry Authority, [illegible] govern[illegible] advisory body, says all five manufacturers can survive [illegible] they make the right investment and marketing decisions. Senator Button appears [illegible] he has been talking in terms of three survivors.

Kevin Brown



FINANCIAL TIMES
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INSIDE

Brent Walker board in crisis meeting

Directors of [illegible] Walker, the troubled UK leisure group, were last night in a [illegible] meeting to decide how to respond [illegible] of bondholders to back a reconstruction plan. Meanwhile, [illegible] of the 47 creditor banks broke [illegible] they [illegible] be prepared to consider an offer from Lonrho, the trading group. Page 22

Citicorp may sell Italian arm

Citicorp, the US bank seeking to sell assets to strengthen its capital base, is expected to sell its 46-branch Italian banking subsidiary [illegible] the end of this month in a deal likely to be worth around $300m. Page 16

Asset sale lifts HJ Heinz

HJ Heinz, the US foods group, yesterday announced a sharp rise in first quarter earnings. But without a [illegible] gain, operating income totalled $213m, compared with $266m in the same period last year. Page 17

Recession ends for textile group

The end of the recession has arrived according to Mr Brian Haggas, chairman of John Haggas, the [illegible] worsted spinner. "[illegible] went into recession two [illegible] everyone [illegible] when all my mates were chortling. Now we are the first out while everyone [illegible] is still complaining." Page 23

Delta suffers despite staff cuts

Delta, [illegible] UK [illegible] engineering group, [illegible] in the [illegible] in spite of cutting [illegible] by 20 per [illegible]. Mr [illegible] (left), chief executive, [illegible] UK [illegible] "bump [illegible]". [illegible] of returning [illegible] had yet to [illegible] into orders. Page 22

Polly Peck creditors told of plan

Creditors of Polly Peck International, the collapsed conglomerate, [illegible] plans [illegible] link Sansui Group, its Far [illegible] group, with two electronics companies. Page 22

Bad debts hit Australian bank

The [illegible] Bank of Australia yesterday blamed recession and increased bad debts for a 45 per cent fall in net [illegible] profits to A$272m (US$214.1m) for the year to the end of June. Page 17

Frankfurt inquiry widens

The inquiry into the [illegible] of illegal trading in the Frankfurt securities market has widened with up to 150 traders being investigated for tax-related offences. Page 16

FT-Actuaries World Indices

The World Index Panel [illegible] on some changes, which [illegible] into [illegible] at the [illegible] the current quarter. [illegible]

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Credit Foncier	1184	+	9
Beiersdorf	770	+	10	Falls			
Gerresheimer	442	+	6	Arjomari-Pri	2215	−	85
Falls				Ciments Francais	320	−	15
Bayer Hypo	349	−	5	Lafarge Coppee	349	−	2
Heidelb Zem	980	−	20	Sextant Avion	409	−	6
Linde	670	−	15	TOKYO (Yen)			
Porsche	725	−	15	Rises			
NEW YORK ($)				Chugoku Marine	920	+	72
Rises				Dai-ichi Kogyo	888	+	82
Microsoft	61¼	+	⅝	Sankyo Seiko	1560	+	100
Falls				Falls			
AT & T	37½	−	⅝	Dia Kensetsu	1360	−	280
Beazer ADR	6¼	−	½	Kasumi	1050	−	80
Compaq	34¼	−	¾	Shin Yei Shoun	360	−	29
Heinz	38½	−	2¼				
PARIS (FFr)							
Rises							
Bouygues	582	+	14				

New York prices at 12.30.

LONDON (Pence)							
Rises				Beazer	55	−	7
Adscene	53	+	18	Brent Walker	[illegible]	−	[illegible]
AB Ports	835	+	12	Br Aerospace	[illegible]	−	[illegible]
Evett	73	+	9	Delta	[illegible]	−	13
Higgs (J)	70	+	12	Gaskell	135	−	9
Lambert Howth	290	+	15	Glaxo	1325	−	41
Macro 4	345	+	24	Oxford Instrs	[illegible]	−	10
Powell Duffryn	325	+	10	Reckitt Colman	679	−	17
Sema	529	+	14	Savoy A	[illegible]	−	32
Wace Selector	17	+	4	Select Appls	2	−	1½
Wyndale Bros	183	+	6	Trafalgar Hse	[illegible]	−	18
Falls							
Arjo Wiggins	272	−	17				

Hitachi cuts capital spending by 20%

By Steven Butler in Tokyo

HITACHI, Japan's largest electrical machinery manufacturer, [illegible] cut planned capital expenditure by 20 per cent in the year [illegible] the end of [illegible] 1992 in [illegible] falling profits [illegible] weak demand for computer memory chips, [illegible] company said yesterday.

The cuts amount to Y60bn ($444.8m). Hitachi [illegible] projected a 27 [illegible] cent fall in pre-tax profits [illegible] in the current [illegible] year. The reductions will cut [illegible] to produce 4 megabit dynamic random [illegible] memory (D-Ram) chips, [illegible] generation of high-capacity computer memory [illegible].

[illegible] planned [illegible] increase production [illegible] month [illegible] 5m by the [illegible] end. However, [illegible] computers, particularly in the US, has undercut sales projections [illegible] to a rapid [illegible] in memory chip prices. Prices for 4MB D-Ram chips [illegible] from about Y6,000 a [illegible] to Y2,400 today. They are expected to [illegible] Y2,000 by [illegible] end.

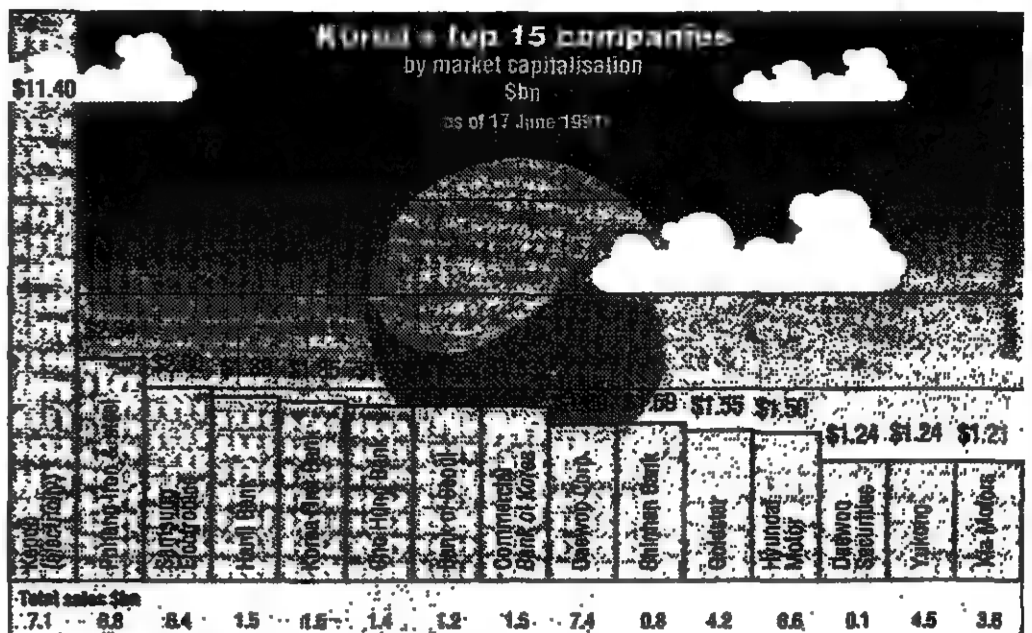
Toshiba [illegible] NEC, Japan's other big memory chip producers, yesterday said [illegible] investment plans were [illegible] review but [illegible] had [illegible] production of the 4MB D-Ram chips [illegible] 2.5m [illegible] month [illegible] planned [illegible] production to [illegible] by [illegible] year [illegible] of market conditions, however, [illegible] production [illegible] produce [illegible] semiconductor [illegible].

Many Japanese [illegible] under [illegible] falling profits and the higher [illegible] raising investment capital, caused by high interest [illegible] and [illegible] Japanese share prices.

The decision by Hitachi [illegible] cut planned production of the latest generation [illegible] high-capacity memory chips has underscored the huge [illegible] and [illegible] of staying in [illegible] race for leadership in computer memory devices. Some analysts expect smaller participants to drop [illegible] of the race. Mr Barry Dargan, an analyst [illegible] James Capel, said: "It is just becoming [illegible] expensive to develop [illegible] generation of semi-conductors [illegible] you will see more [illegible] centration in the industry." After a shake-out, the three or four Japanese companies [illegible] would see higher margins on chip production.

John Ridding in Seoul examines the forthcoming liberalisation of the Korean stock market

Foreigners prise open the door



IN [illegible] than [illegible] months, the [illegible] will finally [illegible] to foreign [illegible].

[illegible] in Asia in [illegible] of capitalisation, and third biggest [illegible] terms of [illegible] – is the largest [illegible] world which is still closed to foreigners.

Until now, [illegible] evidence to [illegible] of [illegible] liberalisation. [illegible] final guidelines last week – though leaving several important [illegible] unclear – [illegible] for foreign ownership [illegible] Korean equity.

These parameters are limited. Foreigners will be restricted to owning 10 per cent of the shares in most Korean companies and 8 per [illegible] of those involved in public utilities [illegible] other [illegible] industries.

A few [illegible] including Kepco, the leading electricity company, will be completely barred to foreigners. [illegible] foreign individuals, the limit will be 3 per cent ownership of the shares of any one company.

But the opening is even more restricted than these limits suggest.

Outstanding Euromarket equity-linked issues such as convertible bonds will [illegible] counted [illegible] various ownership limits. [illegible] too will strategic [illegible] investments such [illegible] the 10 [illegible] of Kia Motors, [illegible] second largest carmaker, which [illegible] by Ford [illegible] the US.

Taking [illegible] existing investments into account, and [illegible] an overall market capitalisation [illegible] high as [illegible] the [illegible] of opening, this would mean that a [illegible] $7bn [illegible] Korean [illegible] are eligible [illegible] foreign [illegible].

Excluding these existing investments, current market capitalisation [illegible] estimated at about [illegible] by some analysts, [illegible] places [illegible] league [illegible] the Hong Kong market.

[illegible] of existing [illegible] will, however, [illegible] advantages. From [illegible] month they [illegible] to convert [illegible] underlying [illegible] on the [illegible] exchange. [illegible] doing, however, they will lose the current premiums [illegible] equity-linked [illegible] trading.

The opening of [illegible] Korean market is in line with the government's capital market liberalisation programme announced in [illegible] which set a timetable for opening [illegible] door [illegible] foreign investors. Pressure from trading partners, in particular [illegible] US, has kept the Korean government to its commitments.

"These guidelines are the [illegible] which [illegible] promised in 1988," says Mr Oum Bong Sung, Counsellor to the minister of finance. "But they are also the first step in the second round of market opening" [illegible] that the [illegible] for foreign ownership will [illegible] gradually increased.

Moreover, [illegible] says [illegible] the government will take a flexible [illegible] concerning investment in companies which breach their foreign ownership limits because [illegible] issues [illegible] direct investments. Foreign ownership of such companies could be [illegible] high as [illegible] cent, while issues of [illegible] classes of [illegible] might also [illegible] permitted.

[illegible] question [illegible] how [illegible] foreign investors will attend the opening party. Clearly the maximum potential investment will [illegible] come flooding in immediately. But just [illegible] appealing [illegible] the [illegible] likely to prove?

The Seoul exchange is not the same market [illegible] 1987 [illegible] 1988 when the index virtually doubled in successive years on the [illegible] of rapid, export-led economic development. It has since fallen from a 1989 peak of 1,007 [illegible] to about 681 today.

Much of [illegible] reason is found in a host of economic problems such as rising manufacturing costs and the erosion of industrial competitiveness. But there has also been a rethinking [illegible] view that Korean companies [illegible] quickly [illegible] in Japan and the [illegible].

London analysts [illegible] that there will be s[illegible] business in South Korean shares.

According to Baring Securities, one of the four foreign securities firms granted permission to open branches in Seoul, Korean companies [illegible] have already issued convertible [illegible] bonds and global depository receipts [illegible] all standing [illegible] a premium [illegible] underlying [illegible] prices [illegible] Seoul.

Mr [illegible] Bristowe, a [illegible] of [illegible] Govett International, says [illegible] sheer size of the market [illegible] bring in [illegible] institutions in a big way.

Improving economic fundamentals coincide [illegible] equity market ratings which [illegible] "stratospheric" as they [illegible] several years ago.

The Korean economy remains one of the most dynamic in the [illegible]. A growth [illegible] 8.9 per cent this [illegible] will [illegible] few equals while the problems of inflation and a rising trade deficit remain manageable.

[illegible] with a run [illegible] prior to January, foreign investors [illegible] likely to find a reasonably-priced market. The weighted price-earnings ratio for the market as a whole is about 20 less than Tokyo and Taipei and other of the [illegible] markets. Measures such [illegible] price to book value and price to gross cash flow reveal still cheaper shares.

[illegible] more [illegible] blue chip stocks [illegible] likely [illegible] have appreciated [illegible] the entry of foreigners [illegible] may quickly [illegible] their ownership ceilings reached.

As a result, it [illegible] be second-[illegible] and smaller companies which provide [illegible] potential. "There [illegible] tremendous value [illegible] found [illegible] smaller companies", [illegible] Mr Peter Irving, managing director of Korea Schroder Fund Management. But he cautions that many are highly geared, while liquidity [illegible] also [illegible] a problem.

[illegible] attraction of [illegible] various [illegible] alone, however, [illegible] the [illegible] of the market opening. Just as important will be the practicalities of investing in the market such as placing orders and [illegible] capital in [illegible] of Korea.

On [illegible] count, much [illegible] remains to be clarified. [illegible] still grey areas concerning the permitted use of funds held in the accounts of foreign investors, arrangements for dealing and commissions, and whether foreign investors have to deposit funds in [illegible] executing a trade.

The ministry [illegible] finance promises a series of further announcements to clarify such concerns. But with January [illegible] ing date, [illegible] ticking [illegible].

[illegible] reporting [illegible] Cochrane in London

IBM pins hopes on Enterprise launch

By Louise [illegible] in [illegible] Francisco

INTERNATIONAL Business Machines is due [illegible] announce today the launch of six new mainframe computers and related [illegible] and equipment which it hopes will boost slump[illegible].

The launch [illegible] expected [illegible] have a significant impact on [illegible] earnings and could be a bell[illegible] for [illegible] computer industry.

Mainframe computer [illegible] with related products and ser[illegible] generate more than half [illegible] revenues [illegible] a larger portion of profits, making new prod[illegible] announcements critical for [illegible] company.

IBM's operating profits plunged [illegible] per [illegible] in [illegible] half of [illegible], and revenues were down 8 per cent, raising the spectre that it [illegible] report its first decline in annual revenues in 46 years.

The [illegible] mainframe [illegible] complete IBM's Enterprise Systems generation [illegible] mainframe computers, unveiled last year, and bring the new [illegible] the lower end [illegible] product [illegible].

The company is expected to announce computers [illegible] one, [illegible] or three [illegible] units to complement [illegible].

Over the past year, [illegible] have been depressed by poor economic conditions. Industry analysts [illegible] say potential customers may have been waiting to [illegible] IBM's new machines rather than buy current products. The new mainframes will [illegible] theory as well [illegible] boost IBM's competitive position versus [illegible] IBM "plug-compatible" mainframes, Amdahl and Hitachi Data Systems.

IBM dominates the world market for mainframe computers with an [illegible] of more than 60 per [illegible].

NatWest launches £140m preference shares issue

By Simon London in London

NATIONAL [illegible] Bank, the UK banking group, launched a £140m ($242.2m) preference share issue after the close of trading yesterday, bolstering its core capital and capacity to lend.

The second largest UK clearing bank picked Salomon Brothers, the US investment bank recently dropped by the British treasury from the £5bn British Telecom share issue, to run the issue instead of County NatWest, its merchant banking subsidiary.

The issue follows NatWest's interim results announced last month, which showed a pre-tax profit of £101m after record bad debt provisions of £902m. The issue, strongly rumoured during *trading hours yesterday*, was taken as a sign that the bank will not make a rights issue in the near future. The shares were unchanged yesterday, against a background of falling prices in the sector. While [illegible] well-capitalised by [illegible] standards, it [illegible] build capital [illegible] wherever possible [illegible] allow for future [illegible] growth.

Despite [illegible] thirst [illegible] new capital, [illegible] banks have [illegible] sterling preference shares because the [illegible] of capital [illegible] as high. [illegible] only issues still [illegible] by investors are two [illegible] by [illegible] of [illegible] in November [illegible] year and in 1988.

[illegible] shares [illegible] a [illegible] annual interest [illegible] debt securities [illegible] subordinated [illegible] to [illegible] level of equity. [illegible] issued yesterday [illegible] a [illegible] and priced [illegible] yield [illegible] long-dated UK government bonds.

[illegible] issue [illegible] irredeemable, [illegible]cumulative preference [illegible] will count as [illegible] I capital under the [illegible] accord on international bank capital adequacy. The accord requires international banks [illegible] achieve a minimum capital-to-assets ratio of 8 per [illegible] by January 1993. Core capital, comprising only [illegible] equity [illegible] preference shares, [illegible] of [illegible]. NatWest's [illegible] I ratio is just over 5 per cent, [illegible] the [illegible] target.

[illegible] choice of Salomon Brothers to lead the [illegible] be explained by the US firm's [illegible] knowledge of [illegible] market for bank securities. [illegible] has [illegible] active [illegible] gaining access to new sources [illegible] capital which [illegible] *acceptable* to [illegible] regulators. Earlier [illegible] year it [illegible] the first issue of permanent [illegible] bearing shares (PIBS) for [illegible] Permanent [illegible] Society.

Beazer agrees bank refinancing

By Andrew Taylor, Construction Correspondent

BEAZER, the heavily indebted construction and building materials group, yesterday announced [illegible] agreement with its bankers [illegible] refinancing, paving the [illegible] the sale of its UK-[illegible] housebuilding, property [illegible] contracting businesses.

The [illegible] with [illegible] 100 lending banks requires repayment by [illegible] of at [illegible] (£355m). This is [illegible] be raised primarily from [illegible] flotation [illegible] the UK businesses. The pathfinder prospectus [illegible] sale [illegible] due [illegible] be published today.

The group's net debt at the end of June [illegible] compared with shareholders' funds of £1.115bn, said Mr Brian Beazer, chairman and [illegible] *executive*.

[illegible] refinancing [illegible] announced [illegible] Beazer [illegible] pre-tax profits, including [illegible] UK operations, fell [illegible] per cent [illegible] during the 12 months [illegible] the end [illegible] June.

Group [illegible] by [illegible] from £2.3bn.

Operating profits of [illegible] UK-based business, which will [illegible] a separately quoted [illegible] pany [illegible] CHB, fell more than a third [illegible].

[illegible] building [illegible] operations, [illegible] by [illegible] more [illegible] per cent [illegible].

Under the refinancing, dividend payments by [illegible] group will [illegible] strictly controlled. Payments above a minimal level will depend [illegible] whether the [illegible] exceeds agreed profit levels, *according* [illegible] *bankers*.

In return, [illegible] following the initial repayment of [illegible], will [illegible] have [illegible] repay further capital [illegible] will have to repay interest on loans during this period.

CHB will become a separately quoted company with almost no [illegible]. It will [illegible] to establish [illegible] own loan arrangements [illegible] dividend policy.

About 10 per cent of [illegible] shares are expected [illegible] be reserved [illegible] existing [illegible] shareholders, who will [illegible] given priority [illegible] the flotation. [illegible] Beazer's shareholders are thought to be in the US.

[illegible] yesterday that [illegible] group dividends, which [illegible] the last [illegible] the UK businesses, had [illegible] from 7.75p to 4p. [illegible] on *American Depository Receipts, net of 15* per [illegible] withholding tax, had [illegible] reduced [illegible] $0.57 [illegible] $0.30 gross per [illegible].

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Citicorp expected to sell Italian unit for $300m

By Alan Friedman in New York

CITICORP, the leading US bank seeking to dispose [redacted] assets in order to strengthen [redacted] capital base, [redacted] expected [redacted] sell its [redacted] Italian banking subsidiary toward the end [redacted] this month in a deal likely to be [redacted] around $300m.

The bank has already held talks with [redacted] two [redacted] tive buyers – [redacted] Bank and Banco Ambrosiano Veneto.

Deutsche [redacted] which [redacted] trols the 100-branch Banca d'America [redacted] d'Italia (BAI), [redacted] profitable retail banking busi- [redacted] it acquired from Bank of America in [redacted] thought more likely [redacted]

The Bank [redacted] Italy will [redacted] final [redacted] in who acquires Citi- [redacted] Italia and [redacted] believed [redacted] leaning towards Deutsche Bank in [redacted] preserve [redacted] Citibank branch network as [redacted] foreign-owned franchise.

The Italian central [redacted] has long welcomed foreign banks [redacted] Italy in an effort [redacted] stimulate competition among the country's [redacted] institutions.

Citicorp paid around $120m [redacted] acquire the branch network in 1985 from [redacted] Banco [redacted] Roma, [redacted] part of [redacted] IRI [redacted] holding group.

Citicorp's own valuation [redacted] branches, located mainly in southern Italy, [redacted] L400bn ($315m). [redacted] Ambrosiano is understood [redacted] offering around L360bn for Citibank Italia.

Citicorp's Italian subsidiary has $2bn of deposits and $2.7bn of [redacted] It [redacted] per [redacted] owned [redacted] parent, with the remaining 3 per cent traded on the Milan over-the-counter [redacted] market.

[redacted] the time [redacted] its purchase of the Italian network, previously known [redacted] Banca [redacted] Sud, Citicorp planned [redacted] pool commercial and retail banking [redacted] in an [redacted] to blan- [redacted] the Italian peninsula.

Aside from the [redacted] funds in [redacted] strengthen its capital, Citicorp [redacted] found its combined [redacted] did not work as well as a market niche approach. Its Italian activities [redacted] mainly in the retail and small [redacted]

Lloyds Chemists to acquire Macarthy

By Jane Fuller in London

MACARTHY, owner [redacted] a chain [redacted] UK chemists' shops which had attracted the attention of three bidders, [redacted] capitulated [redacted] ($140m) offer from Lloyds Chemists.

Lloyds' bid [redacted] the highest since Grampian Holdings, [redacted] Scottish mini-conglomerate, set the ball rolling in May. The Office of Fair Trading's decision [redacted] refer UniChem's [redacted] bid to the Monopolies and Mergers Commission [redacted] other strong contender from the field.

Although UniChem, the pharmaceuticals wholesaler, might [redacted] returned to the fray [redacted] an MMC inquiry, Mr Ian Parsons, Macarthy's chief executive, said: "The prospect [redacted] another three months' uncertainty [redacted] diabolical."

Lloyds' offer of one [redacted] plus [redacted] for each [redacted] Macarthy's values [redacted] target's shares at [redacted] each. This com- [redacted] 168p on the eve of Grampian's first bid. Lloyds already [redacted] or had [redacted] per [redacted]

[redacted] attraction of Macarthy, which [redacted] the Savory & Moore chain, included [redacted] recession-resistant nature of chemists' shops and [redacted] ment-imposed barrier [redacted] opening of pharmacies.

Lloyds still has [redacted] gain [redacted] the OFT, which [redacted] UniChem because of [redacted] competition [redacted] wholesaling of prescription drugs.

If [redacted] bid is cleared, [redacted] additional 175 [redacted] will [redacted] total [redacted] 810, consolidating [redacted] position [redacted] number [redacted] which [redacted] 1,069.

It will be [redacted] group's second big acquisition [redacted] year, following the Kingswood chemists' [redacted] Holland [redacted] Barrett health [redacted] acquired [redacted] £55m in May, financed by a £71m one-for-two rights issue.

[redacted] Allen Lloyd, chairman, said Savory & [redacted] profitability would [redacted] improved by cutting central costs, improving purchasing power and introducing higher margin own-label products

Générale de Banque rises 9%

By Andrew Hill in Brussels

GENERALE de Banque, Belgium's biggest commercial bank, pushed up net profit by nearly [redacted] in [redacted] half of 1991, but [redacted] time increased provisions against loan [redacted] light [redacted] continuing economic [redacted] tainties.

The group made BFr4.61bn ($129m) in [redacted] first half, against [redacted] the equivalent period [redacted] year. [redacted] *the increase in profit was* [redacted] a rise [redacted] Belgian franc interest income, despite shrinking margins, an improvement in [redacted] foreign [redacted] margin income, and continued [redacted] controls, which helped [redacted] overheads slightly.

"All things being equal, [redacted] improving trend in profitability demonstrated during the [redacted] half-year [redacted] maintained during [redacted] months," [redacted]

Depreciation charges and provisions [redacted] by 14 per [redacted] to [redacted] BFr3.84bn, of [redacted] bulk [redacted] provi- [redacted] *against* [redacted]

A Générale spokeswoman [redacted] yesterday: "We have [redacted] prudent [redacted] far [redacted] provisions [redacted] concerned."

The group [redacted] that lending [redacted] private [redacted] by [redacted] per [redacted] BFr1,114bn, against BFr1,041bn, [redacted] public sector lending [redacted] slightly [redacted] BFr611bn from BFr623bn.

[redacted] profit included [redacted] nary charges [redacted] BFr700m – [redacted] penultimate [redacted] – [redacted] the extraordinary charges and gains offset [redacted] in [redacted] first [redacted] *months of* [redacted]

[redacted] further BFr700m of restructuring [redacted] will [redacted] in [redacted] half, [redacted] pleting [redacted] BFr3.4bn [redacted] reduction plan.

Frankfurt securities market probe widens

By Katharine Campbell in Frankfurt

THE INQUIRY into the allegation of illegal trading in [redacted] Frankfurt [redacted] has widened, with up to 150 [redacted] being investigated [redacted] tax-related offences.

The [redacted] the investi- [redacted] and [redacted] will be several weeks before charges are brought, according to the city [redacted] office. [redacted] office had indicated [redacted] preliminary [redacted] might [redacted] available early [redacted] month.

In June, [redacted] of anonymous [redacted] alleging impropri- [redacted] in [redacted] department [redacted] Deutsche Bank sparked an insider commission investigation as well as wider enquiries by the Frankfurt city prosecutors.

Many of the suspect transactions, which involve [redacted] from [redacted] unspecified number [redacted] banks and brokerage operations, [redacted] equity warrants.

Capital gains are only [redacted] tax if securities are [redacted] for longer than six months, [redacted] warrants, which are often highly geared instruments, [redacted] in price dramatically within days or hours.

BMW sales up 2.5% at 8 months

By John Griffiths in Frankfurt

BMW'S world-wide car sales increased by 2.5 per cent in the first eight months of this year despite recession in some major markets.

Mr Ebehard [redacted] Kuenheim, the chairman, [redacted] the rise [redacted] recorded despite "ruinous [redacted] petition" created by [redacted] Japa- [redacted]

Speaking [redacted] the Frankfurt motor show, Mr Von Kuenheim warned that further action would be needed by [redacted] to reduce costs in Germany – the only country where [redacted] manufactures – if it [redacted] remain competitive in the long term. The chairman also accused the Japanese [redacted] dumping in the US, although he did [redacted] name the manufacturers.

Describing Japanese manufacturers as having "an aggressive policy [redacted] conquering markets", he pointed out that Japanese manufacturers' share of world car production has risen to 31 per cent, up from 22 per cent [redacted] 1985.

Domestic US manufacturers had been the main casualty. Europe was now the main [redacted] for Japanese competition following the recent EC-Japanese "understanding" [redacted] the gradual opening of [redacted] EC market to [redacted] Japanese competition by 1999.

In the year's [redacted] eight months, BMW produced [redacted] cars, up 2 [redacted] on [redacted] levels, lifting group turnover by [redacted] per [redacted] DM19.006bn ($10.14bn) Unit sales [redacted] to 367,600.

The [redacted] due [redacted] the 3 series range which went into production [redacted] year. Output [redacted] the series is running [redacted] 1,200 a day compared with 400 [redacted] day at the start of the year.

BMW also unveiled the E1, a battery-powered electric "concept" car which is expected to form the basis for the company [redacted] comply with [redacted] legislation requiring manufactur- [redacted] to [redacted] certain proportion [redacted] "ultra-low" and "zero" emission vehicles from [redacted] onwards.

The company also announced another [redacted] on car recycling, under [redacted] it will offer to take back for recycling at the [redacted] their useful lives all models [redacted] current range, even those first registered several years ago.

● Audi unveiled what it described [redacted] a "design study" for a two-seater sports car [redacted] an all aluminium body [redacted] tubular aluminium frame.

The unveiling of the vehicle, which uses a similar drivetrain to Audi's recently-launched V8 [redacted] range, immediately prompted speculation that it would [redacted] emerge as a production car to provide Audi with a rival to Japan's proliferating sports car sector.

Porsche earnings fall victim to recession

[redacted] Our Financial [redacted]

PORSCHE, [redacted] German luxury sports car maker, [redacted] a drop [redacted] earnings [redacted] financial year to July 31 1991 and said it [redacted] have [redacted] struggle [redacted] maintain profits [redacted] in [redacted]

Mr Arno Bohn, [redacted] executive, said he did not see an end to the recession [redacted] the US or Britain. "The weakness in western European countries continues. The trend [redacted] not turning around and poorer [redacted]ditions will prevail," [redacted]

In [redacted] past [redacted] years, [redacted] has [redacted] recovering from a slump in US sales, triggered by [redacted] and the [redacted] of [redacted] dollar, by upgrading its [redacted] and reducing its dependence on North America.

[redacted] the [redacted] of the [redacted] market, which [redacted] all foreign imports, [redacted] dampened [redacted] in the [redacted] Porsche [redacted] yesterday [redacted] turnover in [redacted] slipped by 3 [redacted] ($1.7bn) from DM3.05bn.

It [redacted] profit figure, [redacted] the company has already indi- [redacted] that net [redacted] between [redacted] and DM60m from [redacted] (a rise [redacted] 26 per [redacted] on [redacted]

Much of [redacted] weaker earnings trend in the past financial year [redacted] from the [redacted] the dollar, which accounted [redacted] some DM60m [redacted] DM100m [redacted]

Model changes and [redacted] nomic uncertainty caused by [redacted] war [redacted] business, as did the recession in key [redacted] Porsche recently [redacted] after [redacted] slide in [redacted] in [redacted]

Porsche [redacted] car [redacted] fell by 18 per cent from 31,235 [redacted] in the 1990-91 financial year. [redacted] of the [redacted] in [redacted] deliveries and the fall in foreign sales, the proportion [redacted] output sold abroad fell [redacted] per cent to 56.5 per cent.

[redacted] financial year, Mr Bohn said, sales and profits could be maintained [redacted] the previous year's levels "only with the greatest effort". He said that Japan [redacted] one bright spot, however; every sixth Porsche [redacted] currently [redacted] in [redacted] country.

Bilspedition takes 20% of French transport group

By Robert Taylor in Stockholm

BILSPEDITION, the Nordic region's largest private transport group, [redacted] acquired 20 [redacted] of [redacted] shares in the Fatton group, which [redacted] of France's leading transport [redacted] haulage companies.

The purchase of [redacted] in [redacted] Lyons-based group has been carried [redacted] through Bilspedition's French subsidiary, Scansped, which [redacted] co-oper- [redacted] for many [redacted] with [redacted] Fatton group and had [redacted] leading [redacted] position in transport between [redacted] Lyons area and Scandinavia.

[redacted] equity link formalised [redacted] long-standing [redacted] a strategic alliance which [redacted] aimed at widening co-operation with Scansped [redacted] Europe.

Fatton will retain [redacted] per [redacted] the other 10 [redacted] cent [redacted] controlled by [redacted] BNP banking group.

Bilspedition's [redacted] acquisi- [redacted] comes [redacted] lively period of expansion designed to fur- [redacted] company's [redacted] to [redacted] one [redacted] Europe's [redacted] transport companies.

Magnusson to take over chair at Nobel Industries

By [redacted] Burton in [redacted]

MR BERNT Magnusson, [redacted] corporate restructurers, has been appointed chairman of Nobel Industries, the chemical [redacted] group.

The choice [redacted] Magnusson, who transformed the former Nordstjernan group from an unwieldy industrial conglomer- [redacted] second larg- [redacted] concern under the NCC name, has increased speculation [redacted] broken up and [redacted]

Nordbanken, [redacted] trolled bank, last month took [redacted] of [redacted] after its main shareholder, Mr Erik Penser, defaulted on [redacted] loans. Mr Jacob Palmstierna, [redacted] deputy chairman [redacted] Nordbanken, will [redacted] become deputy chairman [redacted] Nobel.

Nordbanken has raised SKr5bn ($809m) in new capital through [redacted] share issue to help [redacted] its rescue [redacted] Nobel, with the state subscribing to 79 per cent of the offer and underwriting the rest. Nobel lost SKr5.4bn through investments by its finance company subsidiary Gamlestaden.

INTERNATIONAL COMPANIES AND FINANCE

Heinz advances to $254m on gain from disposal

By Martin Dickson in New York

H.J. HEINZ, the US foods group, yesterday announced [illegible] sharp rise in first-quarter earnings, but the increase was due to a one-time gain from the sale of a business. The company's underlying profits performance dipped from the same period of last year.

Heinz reported net income of $254.4m, or 95 cents [illegible] share, compared with income [illegible] $143.2m, or 54 cents, in the same period of last year.

However, the results included [illegible] $221m pre-tax gain on the sale last June of Hubinger, a corn milling operation in Iowa. Stripping [illegible] out, [illegible] company's operating income totalled $213m, compared with $266m in the same period of last year. Sales dipped [illegible] $1.56bn to $1.50bn, partly because [illegible] the disposal [illegible] Hubinger and [illegible].

The group's [illegible] by reduced unit volume and the strengthening [illegible] the [illegible]. However, [illegible] were offset by an increase in the value of sales, due to price increases on many of the company's core products.

The company said the gain from the Hubinger sale [illegible] been partially offset by increased marketing initiatives and charges [illegible] with [illegible] reduction [illegible], both [illegible] which [illegible] continue and intensify throughout [illegible].

Mr Anthony O'Reilly, the chairman, said [illegible] gain [illegible] [illegible] of Hubinger [illegible] the company a unique opportunity to go [illegible] attack, increasing marketing support for its [illegible] accelerating [illegible] reduction [illegible].

This would [illegible] to deliver full-year [illegible] in [illegible] with past [illegible] together with [illegible] acquisition [illegible] J L Foods, a [illegible] distributor, would "[illegible] to extend our growth [illegible] through [illegible] 1990s," Mr O'Reilly said.

However, [illegible] figures were below [illegible] analysts' expectations, and Heinz shares [illegible], down [illegible]¼ in morning trading on [illegible] York [illegible] Exchange.

Canada may help de Havilland

CANADA'S federal government [illegible] provincial government of Ontario are prepared to provide C$303m ($266m) in development aid for Boeing's de Havilland commuter aircraft division over five years, Reuter reports from Toronto.

Investment Canada, the federal agency, said that the aid would be allocated on a project-by-project basis.

The announcement followed the federal government's postponement of the deadline for approving a bid for the company from a consortium comprising Alenia of Italy and Aerospatiale of France.

Investment Canada said that the European consortium was willing to accept a Canadian partner in its bid, a condition laid down by the federal government, but no Canadian company [illegible] up [illegible] offer to [illegible].

Commenting on Boeing's inability [illegible] turn [illegible] profit at de Havilland, Mr Ed Philip, [illegible] industry minister, said: "Boeing [illegible] basically [illegible] type of business – [illegible] jets. [illegible] think [illegible] partnership with [the consortium] [illegible] tremendous potential."

Aerospatiale and [illegible] – as well as de Havilland – [illegible] cialise in making small, 30 to 70-seat commuter aircraft.

Mr Philip [illegible] pro-[illegible] jobs [illegible] development [illegible] Ontario [illegible] equity [illegible] in the industry.

[illegible] Wilson, [illegible] minister [illegible] charge of [illegible] Canada, [illegible] government aid depended [illegible] specific [illegible] and [illegible] in [illegible] consortium's revised [illegible] plan.

"[illegible] is not [illegible] some difficult [illegible] be settled, [illegible] made," Mr Wilson [illegible].

Seagram renews repurchase plan

By Robert Gibbens in Montreal

SEAGRAM, one of the world's leading drinks groups, has renewed for another 12 months its share repurchase programme which was due to expire on September 24.

Under the programme, the group can purchase up to 4.76m Seagram shares or 5 per cent of the total issued as of August 31 last year on the [illegible] markets through the New [illegible], Toronto and [illegible] stock exchanges. Any purchases can take place between September 25 this year and September 24 1992.

Under the old programme, 190,000 shares were repurchased at an average price of US$80.29, or a total of US$15m.

Seagram stock, however, has [illegible] moving up steadily. It now stands at around US$111, down from a 52-week high of US$117, following a sharp second-quarter drop in earnings due to [illegible] restructuring charge and the impact of the global recession. The 52-week low is [illegible].

Mr Philip Koven, an analyst with Richardson Greenshields, Canada, said Seagram would repurchase stock on market weakness. As with most other analysts, he has reduced his estimate of Seagram's fiscal 1992 earnings – to US$7.65 a share from US$8.05.

● TLC Beatrice International, the foods group, has sold its [illegible] distribution unit, Max-[illegible] Delrue, to Tropicana Continental, AP-DJ reports. The purchase price [illegible] not disclosed.

Tropicana [illegible] is [illegible] French [illegible] of Tropicana Products, [illegible] wholly-owned subsidiary of Seagram.

[illegible] has imported [illegible] sold, [illegible] other products, Tropicana orange and grapefruit juices for more than 25 years.

TLC said it planned [illegible] the proceeds for general corporate purposes.

Tropicana said that Maxime Delrue would operate as a separate subsidiary within Tropicana Europe.

Ford expected to offer debt securities

FORD, the US carmaker, is expected to sell $700m of debt securities in a two-part offering that will be priced as soon as possible, according to Wall Street sources, AP-DJ reports.

The first part of the offering consists of $350m of 10-year notes which will be sold through underwriters led by Goldman Sachs & Co.

The non-callable notes are expected to be priced at a spread [illegible] 125 to [illegible] basis points above the Treasury's 10-year note.

The second part consists of $350m of 20-year debentures also to be sold through underwriters led by Goldman.

[illegible] non-callable debentures are expected to [illegible] priced [illegible] spread of 145 [illegible] 150 basis points above the Treasury's [illegible] bond.

The debt securities are expected to be [illegible]ted Single-A2 by Moody's Investors [illegible] and Single-A by Standard & Poor's.

Pimco stops Treasury dealing with Salomon

By [illegible] Harverson in New York

SALOMON Brothers, the embattled Wall [illegible] house, lost another customer when Pacific Investment Management Company (Pimco), the $32bn US investment fund, announced it was suspending all dealings in government securities with the firm.

Pimco was the client which unknowingly bid for $1bn of Treasury bonds in February [illegible] Mr Paul Mozer, the former head of bond trading at Salomon, tried to play a practical joke on a departing colleague. Mr Mozer was fired last month over the auction-rigging scandal that engulfed the securities firm [illegible] the beginning of August.

The joke [illegible], which [illegible] be submitted, eventually [illegible] to the US Treasury awarding over $870m in 30-year bonds to Pimco. The investment fund never knew it owned the securities, which after the auction were placed into the account of another Salomon customer and eventually sold back to Salomon.

Mr William Gross, managing director at Pimco, said the suspension was indefinite, and that there was no possibility of Salomon earning a reprieve.

[illegible] suspension [illegible] not [illegible] such as equities or corporate bonds, but Salomon will still lose a [illegible] of the decision. Pimco [illegible] $15bn [illegible] government [illegible] any one time.

● The US Federal Bureau of Investigation confirmed it was looking into "securities and anti-trust violations" in connection with the Salomon Brothers affair, Reuter reports from New York. The FBI is part of the US Justice Department, which is already looking at the criminal aspects of the case.

Malaysian plantation deal proposed

By Lim [illegible] Hoon in Kuala Lumpur

KUALA Lumpur Kepong (KLK), [illegible] leading Malaysian plantation group, is proposing to buy all the plantation assets of [illegible] Kawan, its largest shareholder.

The M$218m (US$79m) deal, paid with 58.1m KLK shares at M$3.75 each, will give Batu Kawan a 42.6 per cent stake in the plantation group.

It will also consolidate nearly all the plantation interests of Mr Lee Loy Seng, KLK chairman, at a time when many other Malaysian plantation groups face fragmentation because of low returns on commodities. KLK's land holdings will increase by 16 per cent to nearly 197,000 acres.

As part of the deal, two plantation subsidiaries listed in the UK and Hong Kong will be transferred to KLK.

Batu Kawan, which gains M$66.8m from the sale, will be left with four small manufacturing subsidiaries. The group said it was seeking to expand into the industrial sector.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool [illegible] for Trading on 11.09.91: Pool p/chase price £/MWh	Pool Prices for Trading on [illegible]: Pool p/chase price £/MWh	[illegible] selling price £/MWh
[illegible]	16.19	15.84	16.84
[illegible]	[illegible]	15.63	15.63
0130	[illegible]	15.57	15.51
[illegible]	[illegible]	16.61	15.51
[illegible]	16.10	15.51	15.51
[illegible]	16.10	15.51	15.51
[illegible]	16.10	15.51	15.51
0400	16.10	15.51	15.51
0430	16.10	15.55	15.55
[illegible]	16.10	15.55	[illegible]
[illegible]	15.94	15.61	[illegible]
0600	15.97	15.67	15.67
0630	[illegible]	15.73	[illegible]
[illegible]	16.02	15.73	15.73
[illegible]	[illegible]	17.80	19.47
[illegible]	22.85	17.99	20.49
[illegible]	[illegible]	[illegible]	20.92
[illegible]	[illegible]	20.05	22.61
[illegible]	[illegible]	21.07	[illegible]
[illegible]	[illegible]	22.02	[illegible]
[illegible]	32.08	22.03	24.68
[illegible]	[illegible]	22.03	[illegible]
[illegible]	[illegible]	22.09	24.74
1200	35.32	22.15	[illegible]
1230	[illegible]	22.12	[illegible]
1300	29.37	22.01	[illegible]
[illegible]	[illegible]	18.72	21.23
1400	[illegible]	[illegible]	24.47
[illegible]	21.61	21.86	24.46
[illegible]	21.56	21.88	24.48
[illegible]	[illegible]	[illegible]	[illegible]
1600	22.85	21.88	[illegible]
1630	[illegible]	21.90	24.52
1700	[illegible]	21.92	24.54
[illegible]	20.08	[illegible]	24.51
[illegible]	[illegible]	21.87	24.47
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	19.05	[illegible]	22.40
1930	[illegible]	18.41	20.92
2000	[illegible]	17.99	[illegible]
2030	20.09	17.99	[illegible]
2100	23.34	20.29	22.84
2130	[illegible]	[illegible]	31.08
2200	[illegible]	20.30	31.85
[illegible]	[illegible]	17.98	20.40
2300	16.02	17.98	[illegible]
2330	16.54	[illegible]	20.00
2400	16.00	17.66	19.55

Prices are determined for every [illegible] in each twenty-four period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

N.G.C Settlements Limited

Commonwealth Bank tumbles 45%

By Kevin Brown in Sydney

COMMONWEALTH [illegible] Australia yesterday blamed recession and increased bad debts for a 45 per cent fall in net operating profits to A$272m (US$214.1m) for the year to the end of June.

The result, which was in line with market forecasts, comes [illegible] days before Commonwealth's [illegible] on the Australian Stock Exchange following [illegible] flotation [illegible] month of just under [illegible] per [illegible].

[illegible] of the fall [illegible] profits was [illegible] for by a [illegible] per cent increase to A$1.02bn in charges for bad and [illegible] debts [illegible] of the [illegible] of Victoria (SBV) last year.

[illegible] A$1.6bn acquisition of SBV followed a rescue package agreed between the federal and Victoria state governments in [illegible] crash [illegible] Tricontinental, SBV's merchant banking subsidiary.

Analysts had [illegible] increase in Commonwealth's [illegible] portfolio [illegible] of [illegible] exposure [illegible] corporate [illegible] in Victoria, the [illegible] Australia's [illegible].

However, Commonwealth [illegible] SBV had begun to contribute to operating profits in the [illegible] half. [illegible] purchase [illegible] had [illegible] of "major strategic value", and would yield further benefits [illegible] integration [illegible] banks [illegible] completed, [illegible] said.

Commonwealth said net profit [illegible] risen to [illegible] including abnormal [illegible] A$617m. [illegible] abnormal item was [illegible] from [illegible] bank's superannuation fund [illegible] surplus contributions. [illegible] profit [illegible] abnormals last year was A$531m.

Mr Don Sanders, managing director, said [illegible] bank had followed [illegible] "conservative" provisioning policy in [illegible] light of the [illegible] facing customers as [illegible] result of the recession.

"The bank's operating profit was affected by the [illegible] ary conditions which slowed [illegible] economy, contributed to a fall in demand for finance [illegible] led [illegible] increased bad and doubtful debts," [illegible] said.

Mr Sanders said weak domestic activity and depressed world markets for key exports [illegible] expected [illegible] limit opportunities during [illegible] current [illegible] would intensify competition for quality lending.

"However, Commonwealth Bank is well positioned [illegible] share in [illegible] benefits when the economic [illegible] gets under way," [illegible] said.

The board said the bank expected [illegible] pay its first interim dividend on April 30 and its first final dividend in October. The payout was likely to [illegible] higher than returns [illegible] the government in [illegible] the directors said.

The federal government raised A$1.3bn from the flotation of just under 30 per cent [illegible] Commonwealth, [illegible] biggest flotation in Australian corporate history.

The flotation [illegible] oversub-[illegible] by A$600m, indicating that [illegible] would trade at [illegible] significant premium when the bank is listed tomorrow.

TNT sells 18% stake in exploration company

TNT, the Australian-based transport group, yesterday sold its 18 per cent stake in Petroleum Securities Australia, an oil and minerals exploration company, as part of its divestment of non-core holdings, writes Kevin Brown.

The group said it had sold 14.17m shares held by Primera, a subsidiary, and 1.25m shares held by the TNT Superannuation Fund for a total of A$2.47m (US$1.9m). The group said the sale price represented a profit of A$2.47m, indicating the holding had been written [illegible] to zero.

[illegible] bought by Den Duyts, [illegible] company associ-[illegible] senior Petroleum Securities executives, including Mr Adrian Fletcher, the chairman, and Mr Terry Fern, the managing director.

Petroleum Securities operates in the Canning Basin of [illegible] Australia, in Papua [illegible] Guinea, and in [illegible] US, [illegible] it [illegible] oil and [illegible] interests, including [illegible] joint [illegible] the Rocky Mountain with Ampol Exploration.

The company [illegible] has [illegible] gold mining interests through [illegible] Mining and Salamander Gold Mines.

TNT has been disposing of [illegible] holdings [illegible] reporting a net loss of A$197m [illegible] debt, following worry over [illegible] group's liquidity.

Last month, [illegible] half of [illegible] in Normandy Poseidon, [illegible] Australian [illegible] group, for [illegible].

TNT [illegible] steps [illegible] heavy losses from its [illegible] delivery [illegible] in Europe, [illegible] formed joint [illegible] post [illegible].

Ashok Leyland cash call to fund truck development

[illegible] Leyland, the Madras-[illegible] commercial [illegible] manufacturer, [illegible] restructuring [illegible] operations in an attempt [illegible] growth, [illegible] Gita Piramal in Bombay.

In [illegible] phase [illegible] shake-up, [illegible] plans [illegible] spend [illegible] developing [illegible] of vehicles, [illegible] Leyland [illegible], with payload capacities [illegible] 4 [illegible] 8 [illegible].

Mr R. J. Shahaney, [illegible] ing director, [illegible] "It [illegible] global concept. [illegible] together technology [illegible] of Italy, [illegible] Japan and [illegible] Germany [illegible] Indian [illegible] technology. [illegible] hope [illegible] give [illegible] competitive edge in world markets."

To help [illegible] development [illegible], Ashok Leyland [illegible] launching [illegible] issue [illegible] of partially convertible debentures [illegible] a rights [illegible].

The company, [illegible] member of the Hinduja Group, a diversi-[illegible] international trading house, recently announced good results for [illegible] fiscal year [illegible] the [illegible] of March.

Sales, [illegible], were [illegible] by 34 per cent, while [illegible] profit was Rs919m compared with [illegible] year's [illegible].

The company sold 24,698 [illegible] locally [illegible] exported 1,189. [illegible] after tax were [illegible].

At the same time, Ashok Leyland [illegible] an [illegible] in financial [illegible] which probably cut into margins.

[illegible] soaring and [illegible] rupee steadily weakening against [illegible] currencies, [illegible] of [illegible] new capital [illegible] may turn [illegible] heavier than anticipated, however.

INTERNATIONAL CAPITAL MARKETS

Treasuries weaken [redacted] long positions [redacted] trimmed

By **Patrick Harverson** in New York and **Sara Webb** in London

US BOND prices weakened slightly [redacted] the long end of the market yesterday morning after [redacted] market players trimmed their long positions in the absence of [redacted] rate [redacted] by [redacted] Reserve.

By midday, the benchmark 30-year bond [redacted] ⅛ at 101⅛, yielding 8.002 per cent. The two-year note, however, held steady at 100⅜, [redacted] yield [redacted] cent.

Yesterday's [redacted] were [redacted] be expected. Bonds firmed sharply on Monday in expectation [redacted] an interest [redacted] reduction, so it [redacted] inevitable that when the [redacted] some of those who had bought bonds would sell them.

The balance of opinion, however, still favours [redacted] point cut in [redacted] discount rate to 5 [redacted] cent. However, analysts now feel that [redacted] waiting until tomorrow [redacted] Friday's producer and consumer prices [redacted].

Yet, every day that passes without [redacted] will chip away at [redacted] market's hopes [redacted] lower interest rates.

BENCHMARK GOVERNMENT BONDS

		[redacted]	[redacted] Date	[redacted]	Change	Yield	Week ago	Month ago
AUSTRALIA		[redacted]	[redacted]	108.1672	[redacted]	10.68	10.74	[redacted]
BELGIUM		9.000	06/01	[redacted]	[redacted]	[redacted]	[redacted]	9.37
[redacted]*		9.750	12/01	101 [redacted]	[redacted]	9.56	9.64	9.83
DENMARK		[redacted]	[redacted]	99.2250	[redacted]	[redacted]	9.22	9.35
[redacted]	BTAN	8.500	11/96	[redacted]	[redacted]	[redacted]	9.11	9.29
	OAT	[redacted]	01/01	103.5400	[redacted]	8.91	8.93	[redacted]
[redacted]		[redacted]	08/01	102.1400	[redacted]	8.42	8.41	8.58
ITALY		12.500	03/01	[redacted]	+0.130	[redacted]	[redacted]	[redacted]
[redacted]	No 119	[redacted]	06/99	[redacted]	-	6.57	6.59	6.89
	No [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	6.24	[redacted]	[redacted]
NETHERLANDS		[redacted]	03/01	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
SPAIN		[redacted]	07/96	[redacted]	[redacted]	[redacted]	[redacted]	11 [redacted]
UK [redacted]		10.000	[redacted]	[redacted]	[redacted]	9.86	[redacted]	10.07
		[redacted]	02/01	101-24	-01/32	[redacted]	9.82	[redacted]
		9.000	[redacted]	[redacted]	+[redacted]	9.51	9.62	[redacted]
[redacted]*		[redacted]	08/01	[redacted]	+00/32	7.72	7.82	[redacted]
		[redacted]	08/21	101-10	-03/32	8.01	[redacted]	[redacted]

London closing, *denotes New [redacted] morning session. [redacted] Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ UK government bond prices [redacted] signs [redacted] slowdown in inflation, but the market fell [redacted] later in [redacted] day [redacted] profit-taking and sterling's weakness [redacted] slightly lower.

The [redacted] producer price inflation had slowed more than expected, with a 0.1 per cent increase in August compared with a 0.4 [redacted] rise in July, confirmed hopes of a fall in inflation. Output prices [redacted] 5.6 per [redacted] the year to August, down from a [redacted] per [redacted] in July.

The expected continued fall [redacted] PPI inflation [redacted] expected [redacted] feed through [redacted] further falls in RPI inflation [redacted] the next [redacted] months, leading [redacted] hopes [redacted] further [redacted] rate [redacted]ts.

The Bank [redacted] England [redacted] advantage of the [redacted] rally to [redacted] three tranches of gilts. Traders reported some switching from short-dated gilts into long-dated issues as investors moved away from the area of funding.

The [redacted] gilt futures [redacted] tract opened [redacted] and traded [redacted] around 95.06 by [redacted] afternoon, while the benchmark 11¾ per [redacted] gilt due 2003/07, which opened [redacted] 113¾, slipped [redacted] 113⅝.

■ PROFIT-TAKING pushed French government bond prices [redacted] ½ of [redacted] point yesterday, following [redacted] rally.

Traders said rumours swept [redacted] market [redacted] Mrs Edith Cresson, [redacted] French prime minister, was about to resign. However, [redacted] fall in bond prices [redacted] attributed mainly [redacted] profit-taking and the [redacted] given by the US Treasury bond market.

The [redacted] 2001 ended at 103.54, [redacted] yield [redacted] per cent, against [redacted] and [redacted] per [redacted] at Monday's [redacted].

The yield spread over [redacted] equivalent [redacted] bund [redacted] 51 [redacted] points, compared [redacted] Monday.

■ JAPANESE government bonds [redacted] highs yesterday as the [redacted] strengthened against the dollar to give a yen-dollar exchange [redacted] of [redacted].

However, bond prices fell [redacted] lower on [redacted] day as hopes of an easing in [redacted]. The yield on [redacted] JGB, which opened at [redacted] per cent, moved [redacted] per [redacted] closing [redacted] per [redacted].

Screens dim for Forex dealers in Tokyo

Foreign banks are packing up or slimming their operations as the credit squeeze hits foreign exchange trading, writes Emiko Terazono

THE Tokyo foreign exchange market has seen [redacted] drop in business volume so sharp that some banks are reducing their operations and others are pulling out altogether.

The decline has most seriously affected foreign banks in Tokyo, some [redacted] which have relied on foreign exchange trading as a mainstay. Like other financial [redacted] in Japan, the Forex sector is a victim of the squeeze on credit which slowed investment activity.

Last week, dollar-yen spot volume [redacted] through Forex [redacted] fell to a six-year low [redacted]. Volume has fallen steadily, with daily averages down to $4bn in August, less than one-third [redacted] last October's $12.7bn peak.

Mr Akihiko Kagawa, [redacted] dealer [redacted] the Bank [redacted] Tokyo, says that interbank direct dealing among [redacted] have also declined significantly. He says trust banks, one-time leading players in the inter-bank market, have dropped out of the "major league" or banks trading in lo[redacted] of $50m in direct dealing.

Trust banks have been hit by the decline in trust fund investment, with the weakness of the stock market prompting companies to cancel trust fund contracts. Investment levels by fund trusts have fallen from Y11,132bn ($8.2bn) in March 1990 to Y8,500bn in July this year.

Mr Kagawa says that the number of banks in the "$50m league" has halved to seven or eight players.

Another reason is the decline in cross-border capital flows. Turnover of overseas securities investment by Japanese institutions for the first six months [redacted] 10 per [redacted] down [redacted] the year-ago period.

Mr [redacted] says institutional capital transactions, which [redacted] 80 [redacted] of trading volume, have almost [redacted]ppeared. However, because Japanese banks have a commitment in [redacted] Tokyo market, they cannot shrink their operations to the same extent as some foreign banks.

Foreign exchange brokers, whose commissions are directly affected by [redacted] volume, are gloomier. [redacted] Kazuo Fujii, of Forex brokers Nittan AP, says that if [redacted] present [redacted] prolonged, some of [redacted] smaller brokers will [redacted] problems.

Mr Fujii attributes the current sluggishness to the "three Bs" – the [redacted] financial bubble, the Bank of International Settlement's capital [redacted] ratio rules, and bank mergers.

Some foreign banks have [redacted] head for the door. First [redacted] Bank [redacted] California moved [redacted] Forex operations to Singapore in May, while First [redacted] Bank of Boston has cut its Tokyo F[redacted] operations [redacted] half. Mellon Bank moved out [redacted] Tokyo altogether in June.

An [redacted] Institute [redacted] Foreign Banks in Tokyo [redacted] some banks are finding it difficult to justify keeping sev[redacted] trading rooms in [redacted] zone. Of the 89 foreign bank branches in Tokyo, 27 banks reported [redacted] at the end [redacted] March, while 15 branches suffered reduced profits.

However, Mr Richard [redacted] Donald, at Barclays Bank Tokyo, says that it has mainly been the US banks which have been contracting operations. He points out that to some [redacted] their decisions [redacted] around problems faced in the US.

Mr MacDonald says that European banks are less reliant on dollar-yen activity. "The Japanese banks which rely heavily on client business are the ones that are hurting the most. The European banks trade mainly in European currencies [redacted] as the sterling and D-Mark and are not as dependent on customer orders."

Mr Kagawa feels it may take another 18 months before institutions become active again. He says some sporadic activity may be seen this month due [redacted] transactions related to interim book closing, but the sluggishness will continue for the time being.

P&O seeks HK exchange listing

BRITISH-based Peninsular & Oriental [redacted] Navigation (P&O) is seeking [redacted] secondary listing on the Hong Kong Stock [redacted] and deferred [redacted] trading [redacted] due to start [redacted]row, Reuter [redacted] from [redacted] Kong.

The [redacted] and [redacted] and [redacted] company [redacted] the listing would complement its existing list[redacted] on the London, Tokyo, Paris, Frankfurt, Amsterdam and [redacted] exchanges.

Polish move for NMB

DUTCH banking concern NMB Postbank has opened [redacted] office in Warsaw, making it [redacted] first European Community bank [redacted] banking [redacted] from the Polish authorities, AP-DJ reports from Amsterdam.

Operating under [redacted] NMB Bank Warsaw, the [redacted] operation will [redacted] international and [redacted] banking activities, focusing [redacted] finance, [redacted] and commodity finance, [redacted] and international payment services.

NMB [redacted] the decision [redacted] in Poland [redacted] part [redacted] strategy [redacted] build up [redacted] position in central and [redacted] Europe. The NMB Postbank Groep [redacted] at present includes [redacted] in Vienna, Moscow [redacted].

NMB has already gained entry into the Polish financial market through the [redacted] consultancy organisation NMB Bank Handlowy Consultants, [redacted] joint venture with Bank Handlowy, Poland's [redacted]est bank.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on [redacted]

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102½	103	-⅛	7.01
ALBERTA PROVINCE 9 3/8 95	600	[redacted]	[redacted]		[redacted]
AUSTRIA 8 1/2 00	400	101⅝	101⅞	+⅛	[redacted]
BANK OF TOKYO 8 3/8 96	100	101⅛	[redacted]	+⅛	[redacted]
BELGIUM 9 5/8 98	250	107⅛	[redacted]	+⅛	[redacted]
BFCE 7 3/4 97	150	100	100½	+⅛	[redacted]
BNP 8 5/8 94	300	103⅝	104	+⅛	7.18
BP CAPITAL 9 5/8 93	150	103	[redacted]	-⅛	[redacted]

OTHER STRAIGHTS	Issued	[redacted]	Offer	Chg. day	Yield
BAYERISCHE V[redacted] INT 7 94 LFr	600	94	95		[redacted]
[redacted] LFr	1000	[redacted]	[redacted]		[redacted]
WORLD BANK [redacted] LFr	1000	95½	97½		[redacted]
UNILEVER 9 00 Fl	500	102	[redacted]		8.66
BCE INC 9 5/8 93 C$	300	100	[redacted]	+⅛	9.56
BELL CANADA 10 5/8 99 C$	150	101¾	102¼	+⅛	[redacted]
BRITISH COLUMBIA 9 1/4 93 C$	150	99¼	100¼		[redacted]
EIB 10 1/8 98 C$	[redacted]	[redacted]	101½	+⅛	[redacted]

Screens dim for Forex dealers in Tokyo

Foreign banks are packing up, slimming their operations as the credit squeeze hits foreign exchange trading, writes **Emiko Terazono**

Bill Coleman, talented amateur photographer and investment banker with an environmental focus.

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INTERNATIONAL CAPITAL MARKETS

Argentina breaks the lull with $300m two-year deal

By Simon London

THE DEARTH of new issues in the Eurodollar [redacted] of [redacted] Eurobond market [redacted] broken yesterday with contrasting high-yield and very low-yield deals launched by Argentina and the European Investment Bank.

Argentina added its [redacted] the growing list of Latin American borrowers which have returned to the international capi[redacted] market this [redacted].

It launched a $300m two-year deal, lead-managed by J. P. Morgan Securities, [redacted] priced [redacted] offer investors [redacted] semi-annual yield of 11.3 per [redacted] – [redacted] hefty yield spread [redacted] US Treasury bonds [redacted] 510 [redacted] points.

Participants in the deal reported strong demand from continental Europe and off[redacted] US investors, the two areas which [redacted] most consistent buyers [redacted] Latin American paper. The bonds [redacted] up from [redacted] price of [redacted] to [redacted] 100½ by [redacted] close of trading.

Like Brazil, which [redacted] tapped the market this [redacted] through the Petrobras [redacted] oil company, Argentina has not agreed a full [redacted] rescheduling agreement with [redacted] bank creditors. In view [redacted] investors' concern [redacted] credit quality [redacted] issuer, the [redacted] a put option [redacted] one [redacted].

[redacted] contrasting [redacted] came [redacted] European Investment Bank, which launched a $300m five-year issue lead-managed by S. G. Warburg. The deal car[redacted] a coupon [redacted] 7½ per [redacted] and was priced to yield 25 basis points [redacted] Treasury [redacted] of this maturity – considered to be very tight by many intermediaries before the bond was launched.

However, doubt proved unfounded. The deal [redacted] strong demand from European investors and traded up from a [redacted] re-offer price of 99.734 to [redacted] bid by [redacted] the yield spread

INTERNATIONAL BONDS

over Treasuries [redacted] points.

Sandoz, the second largest [redacted] pharmaceuticals [redacted], made a rare visit [redacted] the international debt market, launching a $500m warrant bond issue, lead-managed by [redacted] Phillips [redacted] Drew.

The seven-year bonds [redacted] a coupon of 4 per cent, and [redacted] right to buy Sandoz [redacted] price just SFr10 above the [redacted] price [redacted] issue [redacted] launched – [redacted] exercise premium [redacted] ½ per [redacted]. The [redacted] div-idend yield [redacted] around 1.7 [redacted].

There [redacted] war-rant convertible either into Sandoz bearer [redacted] or participation certificates, which are [redacted].

Participants [redacted] deal [redacted] terms of [redacted] issue [redacted] not [redacted] enough [redacted] elicit [redacted] enthusiastic response from international [redacted].

In addition, the [redacted] larger than the $200m to $300m issue [redacted] had been anticipating.

After a promising [redacted] the deal fell from an [redacted] price [redacted] par to [redacted] 98 bid by late afternoon, just inside full [redacted] of 2¼ per cent.

● Ontario Hydro's fourth Canadian dollar global bond offering will be a 30-year deal, launched as soon [redacted] market conditions are right, the borrowers said. Joint lead managers to the deal will be Goldman Sachs, IBJ International, RBC Dominion and [redacted] Gundy.

● Union [redacted] of Switzerland will not [redacted] new [redacted] in its synthetic medium-term [redacted] franc bond future. Its [redacted] follows the [redacted]ment by the [redacted] Options and Financial [redacted] Exchange [redacted] that it would offer a medium-term interest [redacted] future contract on October 3.

● Paul Dimmick [redacted] been named [redacted] head [redacted] trading [redacted] Chemical Banking Corp, which is being formed by the [redacted] of Chemical and Manufacturers Hanover, Reuter reports from New York.

Mr Dimmick is currently president of Manufacturers Hanover Securities, the primary dealership of [redacted] Hanover.

Mr Dimmick's [redacted] of responsibility will include [redacted] Treasury, municipal, mortgage- and [redacted] cial paper markets, along with brokerage of US securities and exchange-traded futures and options.

Ina Drew, currently [redacted] managing [redacted] Chemical, will [redacted] responsible [redacted] management of US dollar interest rate sensitivity [redacted] liquidity. Her [redacted] will [redacted] domestic investment portfolios of [redacted] bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	[redacted] %	[redacted]	Maturity	[redacted]	Book runner
US DOLLARS						
Sandoz [redacted] Fin.(b)♦†	500	4	100	1998	2¼/1½	[redacted] & Drew
EIB(a)†	300	7½	99.734	1996	-	S.G. Warburg Secs.
Rep.of Argentina(c)†	300	11	99.50	1993	1⅜/⅜	J.P. Morgan
Toho Zinc Co.(a)♦†	55	5	100	1995	2¼/1½	[redacted] Secs.(Europe)
CANADIAN DOLLARS						
Postipankki(d)‡†	100	[redacted]	100	1994	-	Citibank AG
LIRE						
Fin.for [redacted]	150bn	12.3	101.5	1996	1⅞/1¼	IMI [redacted]
[redacted]						
[redacted] Dev.Bk.(a)†	150	[redacted]	101¼	2001	-	[redacted]

[redacted] ♦With [redacted] ‡Floating [redacted] a) [redacted] b) Issue [redacted] of warrants offering exercise into Sandoz bearer shares or bearer participation certificates at a [redacted] to yesterday's opening price. c) Coupon payable semi-annually. Put option 7/10/92 at 99¾ %. d) Coupon pays 25.[redacted] (3x3-month C$ BA's) payable quarterly in arrears. Minimum coupon [redacted] zero. Non-callable.

US bank earnings down 12% for quarter

By George Graham in Washington

[redacted]ANK earnings dropped in the second quarter, but Mr William Seidman, chairman of [redacted] Federal Deposit Insurance Corporation, said he expected a slight improvement in earnings for the full year.

The FDIC, which supervises and insures bank deposits, said commercial bank [redacted] totalled $4.6bn, down [redacted] per [redacted] from [redacted] period [redacted] year [redacted].

Mr Seidman (pictured below), [redacted] shortly [redacted] FDIC chairmanship, said he expected earnings [redacted] total $18bn [redacted] $19bn [redacted] the whole of 1991, compared with a total of [redacted] in 1990.

The FDIC [redacted] showed that 88 per cent of banks were profitable in the April-June period, and [redacted] half reported higher earnings than a year [redacted]. However, this was [redacted] by continued commercial property loan problems, especially in California and north[redacted] US.

"Unfortunately, the second-quarter figures could be characterised as the banking industry bumping along the bottom [redacted] recession. [redacted] look like it [redacted] getting much worse, [redacted] it d[redacted] look like it [redacted] getting much better," Mr Seidman said.

He repeated his call for Congress [redacted] more money [redacted] the bank insurance fund, [redacted]though [redacted] expected the fund still to have a positive balance by the end of this year.

Investors await stream of issues

By Sara [redacted]

INVESTORS can [redacted] be bombarded by a steady stream of international equity issues [redacted] Europe and the emerging markets, but fewer issues from the US, in [redacted] final quarter of this year.

The recent [redacted] in world stock markets [redacted] likely [redacted] [redacted]rage equity offerings from: currently unlisted companies about [redacted] float; [redacted] companies raising new capital; and secondary market trades, [redacted] major shareholder [redacted] to sell all or part of his [redacted] in [redacted]pany.

A total [redacted] $3.043bn was [redacted] through international equity [redacted] in the first quarter, and $7.184bn in the second quarter, according to figures from International Financing [redacted].

[redacted] lull drawing to [redacted] close, corporate finance departments expect a steady pick-up in activity. "The [redacted]k is for a very busy [redacted] quarter, particularly if [redacted] one or two big deals," says [redacted] UK house.

However, [redacted] final quarter may [redacted] quite [redacted] high [redacted] in [redacted] or second, given [redacted] US companies [redacted] expected [redacted] launch international equity [redacted] the final quarter [redacted] first and second quarters of 1991.

"Most of the obvious financing has been done – from now on [redacted] only expect to [redacted] smaller deals emerging from the US," says one American house.

In Europe, a handful of large international equity [redacted] are expected in [redacted] next [redacted] months.

The British Telecom [redacted] scheduled for November is

INTERNATIONAL EQUITIES

expected to amount to more than £5bn. Other companies [redacted] unlikely [redacted] any large offerings at [redacted] BT so [redacted] competing for investors' funds. [redacted], corporate finance departments do expect [redacted] handful [redacted] large European issues before and after the BT offering.

Italy, Spain and, to [redacted] lesser extent, Portugal are [redacted] as promising [redacted] international equity [redacted] in the next few months. Partial priva[redacted] are expected in France, and possibly Sweden, during 1992.

The main large European companies likely [redacted] large international equity issues in the next few months are: Banco di Napoli and possibly Credito Italiano, as a result [redacted] the planned reorganisation of the Italian banking sector; Repsol, Spain's state-controlled oil producer and refiner, which has already been partially privatised; Total, the French state-controlled oil group which some investment banks believe could raise about $500m; Beazer, the heavily-borrowed construction and building materials group, which plans to float its UK-based housebuilding and contracting businesses.

Among the emerging economies, Mexico is earning a reputation [redacted] an interesting market for investors. International offerings have been launched recently by Grupo Carso, a holding company, and Empaques [redacted] a forestry company, while Televisa, the television and publishing group, is preparing an estimated $500m equity offering [redacted] November or December.

"Mexico has replaced [redacted] number one emerging market," [redacted] one [redacted] house which [redacted] in forthcoming Mexican [redacted]. "People think [redacted] a [redacted] market, and generally [redacted] it as a bit more stable than some Far Eastern markets: it's close to the US and some Mexican companies are seeking listings on the NYSE."

Mexico has the additional advantage [redacted] Far Eastern markets such as Korea and Taiwan of allowing direct [redacted]uity investment.

Until recen[redacted], foreign investors have had to invest in Korean and Taiwanese convertible bonds or [redacted] through country funds. However, the situation will change soon as [redacted] has promised to allow limited direct investment in certain equities next year. The announcement has raised interest in the Korean market among UK and European investors recently.

Already, [redacted] stream of Korean and Taiwanese deals – mainly convertible bonds and bonds with [redacted] – is in the pipeline. These include: Far Eastern Textiles, Taiwan's largest textiles group (lead-managed by Salomon Brothers); Pacific Electric Wire [redacted] Cable, Taiwan's biggest cable maker (lead-managed by Schroder); as well as KIA motors, Hangyang Chemical, [redacted] Pharmaceuticals, and [redacted] Cement [redacted] Korea.

Japanese banks' debt ratings downgraded

[redacted] Agency has downgraded [redacted] long-term debt [redacted] Long-Term [redacted] of Japan, Tokai Bank, [redacted] and [redacted] Toho Bank, [redacted] reports from Tokyo.

Japan Credit [redacted] had downgraded the long-term debt of the Long-Term Credit [redacted] to Aa plus from Aaa [redacted] its [redacted]atively [redacted] lending [redacted] non-bank financial institutions compared with city banks, and increases in loans [redacted] real estate and construction firms in recent years.

The agency also downgraded [redacted] Bank's debts to [redacted] plus [redacted] as the [redacted] of [redacted] assets has [redacted] and property markets.

The agency [redacted] Bank of Ikeda, an [redacted] regional bank, to A minus from [redacted] due [redacted] narrowing profit margins and declining profits.

Japan Credit downgraded the long-term [redacted] of Toho Bank, a regional bank based in Fukushima, [redacted] of Japan, [redacted] plus from [redacted] minus due to its narrowing [redacted] margins and declining profits.

Long-term [redacted] subject [redacted] the downgrades are Long-Term Credit Bank's Y80bn of debt, Tokai's Y80bn debts, [redacted] Y10bn of debt, and Toho's Y15bn.

● Hong [redacted] Transit [redacted] Corp will [redacted] US$5bn in [redacted] between now and [redacted] to fund [redacted] of a 32km railway from [redacted] Kong's island to a new airport to be built on Lantau island, Reuter [redacted].

Securitisation study by American Express

AMERICAN Express may [redacted] credit card securitisation issue this year, AP-DJ reports.

Mr Michael P. Monaco, chief [redacted] officer, [redacted] pany "will make a decision within a [redacted] or so" [redacted] initial test of the credit [redacted] market.

American Express said in July it was looking at securitisation of mortgage [redacted] on [redacted] books [redacted] Boston Co, the asset management arm of Shearson Lehman Hold[redacted] currently being restruc[redacted].

Mr [redacted] touring Europe in [redacted] managers and other financial [redacted] investors, said, however, that American Express had expanded its review [redacted] to include [redacted] receivables.

[redacted] said [redacted] company [redacted] looking [redacted] minimum $200m to $400m securitisation of [redacted] receivables alone and a similar amount for Boston Co's [redacted]gage book.

"We haven't made [redacted] decision yet on the exact dollar amount," Mr Monaco said. [redacted], he said it was possible that the company would [redacted] least $400m of its credit card and mortgage receivables by [redacted] year.

● Iraq is opening [redacted] bank with an initial capital of 100m dinars, the Iraqi [redacted] Agency reports.

The bank, to be known as the Dijla (Tigris) Bank, would offer shares to businessmen and other investors.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Tuesday September 10 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Sep 9 Index No.	Fri Sep 6 Index No.	Thu Sep 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (183)	870.85	-0.5	9.59	5.57	12.85	23.87	875.25	879.28	874.81	739.86
2	Building Materials (24)	1120.62	-0.5	8.02	5.54	15.91	32.33	1126.22	1129.78	1124.54	915.82
3	Contracting, Construction (31)	1183.07	-0.2	8.68	6.61	15.43	33.40	1185.47	1189.91	1180.79	1126.76
4	Electricals (11)	2468.28	-1.4	9.69	5.40	13.18	63.95	2503.23	2508.25	2497.10	2088.64
5	Electronics (24)	1796.65	-0.5	9.82	5.07	12.76	48.40	1805.02	1813.29	1820.27	1596.69
6	Engineering-Aerospace (8)	400.31	-1.1	17.07	6.26	7.02	12.11	404.85	416.01	407.53	437.09
7	Engineering-General (45)	498.95	-0.8	10.42	5.15	11.78	13.19	502.87	502.99	499.52	411.31
8	Metals [redacted] Forming (8)	445.72	-0.8	14.84	7.92	8.18	17.15	449.44	456.99	458.58	418.85
9	Motors (12)	367.52	-0.6	7.97	6.54	16.02	12.70	369.85	371.25	366.99	303.48
10	Other Industrial Materials (20)	1667.45	-0.1	8.27	4.89	14.17	38.33	1669.40	1671.19	1663.18	1293.12
21	CONSUMER GROUP (188)	1570.47	-1.0	7.30	3.49	16.90	27.37	1585.69	1590.33	1585.67	1186.74
22	Brewers and Distillers (22)	1928.30	-0.6	7.97	3.46	15.30	34.70	1940.11	1947.18	1949.98	1471.70
25	Food Manufacturing (19)	1233.68	-0.2	9.26	4.02	13.35	24.86	1236.46	1234.71	1236.69	1012.06
26	Food Retailing (17)	2708.92	-1.1	7.92	3.07	16.50	44.38	2739.54	2751.63	2746.97	2405.29
27	Health and Household (22)	3679.50	-1.7	5.29	2.36	21.53	35.03	3744.17	3775.45	3758.25	2383.00
29	Hotels and Leisure (23)	1376.03	-0.7	8.26	5.07	14.74	37.19	1385.65	1385.70	1385.28	1205.83
30	Media (26)	1526.44	-0.6	7.22	4.65	18.04	41.56	1534.94	1529.77	1520.09	0.00
31	Packaging, Paper & Printing (18)	770.43	-2.3	7.30	4.27	16.60	16.35	788.41	785.72	780.58	504.78
34	Stores (32)	1028.49	-0.7	7.41	3.62	17.61	17.96	1035.27	1036.43	1030.49	752.27
35	Textiles (9)	643.85	-0.5	7.37	4.83	17.29	14.09	646.93	651.16	627.72	404.02
40	OTHER GROUPS (109)	1288.52	-0.5	9.40	5.02	13.32	32.75	1295.54	1304.40	1298.59	1024.96
41	Business Services (12)	1438.22	-0.3	7.50	4.56	16.50	30.08	1442.79	1443.37	1432.82	0.00
42	Chemicals (21)	1475.98	-0.3	6.90	4.89	17.89	46.15	1480.63	1490.01	1492.91	1044.58
43	Conglomerates (10)	1498.51	-1.4	9.94	7.04	12.15	35.17	1519.31	1526.57	1515.32	1380.58
44	Transport (13)	2363.96	-0.3	7.62	4.54	16.25	62.68	2370.25	2368.04	2359.44	1916.46
45	Electricity (16)	1245.78	-0.2	14.09	5.22	9.10	27.53	1247.78	1255.03	1246.12	0.00
46	Telephone Networks(4)	1545.79	-0.5	9.55	3.93	13.71	28.34	1553.71	1570.63	1565.79	1153.78
47	Water(10)	2494.68	-0.9	16.40	6.17	6.75	118.37	2516.48	2539.85	2528.54	1947.50
48	Miscellaneous (23)	1921.48	-0.5	5.21	5.16	26.57	47.96	1931.34	1947.79	1931.28	1546.22
49	INDUSTRIAL GROUP (480)	1310.40	-0.7	8.42	4.38	14.73	28.74	1320.14	1326.09	1321.00	1031.55
51	Oil & Gas (20)	2451.05	-0.4	10.66	5.62	12.39	78.32	2460.41	2469.89	2479.74	2485.05
59	500 SHARE INDEX (500)	1408.56	-0.7	8.70	4.54	14.39	32.69	1418.40	1424.67	1420.58	1149.80
61	FINANCIAL GROUP (92)	837.28	-0.9	-	5.57	-	27.93	844.77	846.06	844.11	691.39
62	Banks (9)	979.04	-0.9	4.35	5.45	43.10	36.83	988.17	990.15	987.40	740.103
65	Insurance (Life) (7)	1585.09	-1.0	-	5.23	-	42.61	1600.89	1617.92	1616.70	1313.22
66	Insurance (Composite) (6)	665.25	-1.4	-	6.62	-	25.81	674.85	678.82	677.38	581.58
67	Insurance (Brokers) (9)	1130.49	-0.5	7.24	5.97	18.06	35.66	1135.99	1131.11	1132.23	839.39
68	Merchant Banks (7)	452.96	-0.2	-	4.63	-	12.16	453.88	451.78	449.63	371.46
[redacted]	Property (36)	955.12	-0.4	5.83	4.88	24.16	22.40	958.49	952.31	950.93	918.08
70	Other Financial (18)	268.31	-1.1	10.69	6.77	11.75	8.67	271.30	268.91	266.91	254.29
71	Investment Trusts (69)	1245.30	-0.7	-	3.47	-	24.33	1254.27	1261.80	1260.00	1058.40
99	ALL-SHARE INDEX (661)	1269.64	-0.7	-	4.64	-	31.08	1278.85	1284.07	1280.53	1039.42

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 9	Sep 6	Sep 5	Sep 4	Sep 3	Year ago
FT-SE 100 SHARE INDEX‡	2630.8	-22.4	2646.1	2630.1	2653.2	2667.4	2663.3	2664.6	2669.0	2144.3

FIXED INTEREST

	PRICE INDICES	Tue Sep 10	Day's change %	Mon Sep 9	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.58	+0.08	122.48	2.07	8.23
2	5-15 years (27)	135.20	+0.09	135.08	2.13	9.52
3	Over 15 years (9)	142.12	+0.25	141.77	0.46	10.60
4	Irredeemables (6)	159.00	+0.37	158.40	2.60	8.83
5	All stocks (70)	133.39	+0.10	133.26	1.98	9.28
	Index-Linked					
6	Up to 5 years (1)	163.81	+0.06	163.72	1.11	2.72
7	Over 5 years (10)	148.65	+0.14	148.44	0.42	3.42
8	All stocks (11)	149.66	+0.13	149.46	0.45	3.40
9	Debs & Loans (58)	113.79	+0.58	113.13	2.39	7.35

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 10	Mon Sep 9	Year ago (approx.)
	British Government				
1	Low	5 years	[redacted]	8.57	11.01
2	Coupons	15 years	9.44	9.47	11.01
3	(0%-7¾%)	20 years	9.44	9.47	11.01
4	Medium	5 years	[redacted]	9.66	12.06
5	Coupons	15 years	9.61	9.64	11.50
6	(8%-10¾%)	20 years	[redacted]	9.62	11.34
7	High	5 years	9.83	9.85	12.15
8	Coupons	15 years	9.72	9.73	11.76
9	(11%-)	20 years	[redacted]	9.67	11.62
10	Irredeemables	†	[redacted]	9.69	11.13
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.73	3.74	4.59
12	Inflation rate 5%	Over 5 yrs.	4.20	4.20	4.30
13	Inflation rate 10%	Up to 5 yrs.	2.80	2.81	3.49
14	Inflation rate 10%	Over 5 yrs.	4.01	4.02	4.12
15	Debs & Loans	5 years	11.44	11.46	14.16
16		15 years	11.16	11.22	13.06
17		25 years	10.97	11.05	12.82

‡Opening index 2646.1; 9 am 2636.3; 10 am 263[redacted] 11 am 2637.9; Noon 2638.9; 1 pm 2638.2; 2 pm 2638.2; 2.30 pm 2637.0; 3 pm 2630.6; 4.10 pm 2631.9; (a) 8.30am (b) 3.07pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of co[redacted]ituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based produc[redacted] relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	66	3	13
Corporations, Dominion and Foreign Bonds	11	0	9
Industrials	230	332	942
Financial and Properties	61	194	499
Oils	9	34	45
Plantations	0	1	9
Mines	33	[redacted]	[redacted]
Others	23	[redacted]	[redacted]
Totals	433	664	1,655

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First [redacted] Sept. 9
- Last Dealings Sept. 20
- Last Declarations Dec. 5
- For settlement Dec. [redacted]

For rate [redacted] see end [redacted]

[redacted] Calls in Saatchi & Saatchi, Thames TV, Tuskar Res. and Utd. Scientific. [redacted] calls in Burton [redacted] Saatchi [redacted]

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro FT-SE Calls 917 Puts 1,311
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

UK COMPANY NEWS

Options running out as bond holders threaten reconstruction

Crisis deepens at Brent Walker

By Robert Peston and Roland Rudd

BRENT WALKER'S directors were last night in a crisis meeting with Standard Chartered, its lead bank, to [illegible] how [illegible] respond [illegible] the [illegible] of holders [illegible] its convertible bonds [illegible] back a [illegible] plan.

Earlier in the day, Mr Ken Scobie, chief [illegible] the troubled leisure group, had met with Mr Christopher Sporborg, deputy chairman of Hambros Bank, who is [illegible] ing the dissident bond [illegible] Mr Sporborg told him that there was no question [illegible] enough bondholders backing [illegible] reconstruction plan to allow it [illegible] through.

This came as a blow [illegible] which had hoped that [illegible] statement put [illegible] previous day by the bondholders [illegible] some [illegible] for negotiation.

"The reconstruction plan is dead", commented [illegible] bondholder. He added that Brent Walker's [illegible] had only two options.

They must either [illegible] to negotiate with Lonrho, the trading group which [illegible] it [illegible] to acquire Brent Walker, [illegible] they must put [illegible] company into receivership.

He [illegible] there [illegible] very [illegible] third option. The dissident bondholders, [illegible] by Mr Michael Smurfit [illegible] his company Jefferson Smurfit, would accept [illegible] revision of the [illegible] struction plan which [illegible] the bondholders security [illegible] new [illegible] of preference shares being issued [illegible] the [illegible].

However, the banks said yesterday that they would never agree to this, as [illegible] point of principle.

[illegible] banks had [illegible] been united in their [illegible] sition [illegible] Lonrho's offer. But [illegible] them broke ranks [illegible] terday and said they would be prepared to consider an offer, if Lonrho was prepared to provide financial support to Brent Walker while it was inspecting the leisure group's assets, [illegible] known [illegible] due dili[illegible].

The banks' concern [illegible] they [illegible] fund Brent [illegible] Lonrho carried out [illegible] due dili[illegible] inspection, only [illegible] find [illegible] Lonrho [illegible] prepared [illegible] make [illegible] acceptable [illegible]. The [illegible] an [illegible] increase [illegible] Walker.

"Lonrho will have to put up around £20m", said a banker.

Lonrho yesterday said it would be willing [illegible] provide the [illegible] loan. But a Lonrho director [illegible] "If [illegible] bid did not come [illegible] anything then [illegible] expect [illegible] have our money back first on the basis of whoever puts in the funds last gets them back first."

One banker said last night he did not believe that any money put in by Lonrho should rank ahead of the banks' loans.

Ramar shares suspended

By Richard Gourlay

Shares in Ramar Textiles, a supplier to Marks and Spencer, have been suspended at 14p after Samuel Montagu withdrew its underwriting for a rights issue and share placing for the garments company.

Ramar said its poor financial position had caused production difficulties which meant it was unable to meet orders.

Suspension of the shares came before today's extraordinary general meeting where shareholders would have voted to approve the £3.2m placing and £3.2m rights issue.

Samuel Montagu said yesterday that it was not yet clear how the company's financial position could have changed so rapidly.

On August 16, at the time the rights issue and share placing were announced, Mr Ronald Metzger, chairman and finance director, said Ramar was profitable at the operating level.

What he called "one-off costs" had resulted in a loss before tax of £5.73m for the nine months to end-March this year but "these matters" had been largely resolved, he said.

Samuel Montagu said Ramar directors had been forced to reassess their previous statements ahead of the EGM.

EIS bucks depressed sector trend with advance to £7.1m

By Jane Fuller

EIS GROUP [illegible] the recessionary trend in [illegible] engineering [illegible] by raising both [illegible] interim profits [illegible] dividend.

[illegible] by nearly 6 [illegible] £7.06m (£6.66m) in [illegible] half [illegible].

If the specialist engineer delivers pre-tax profit expectations of £14.5m [illegible] the full [illegible] £1m [illegible] 1990, it will [illegible] achieved 21 [illegible] growth.

EIS also announced yesterday the £3.85m purchase of Flightspares, a distributor of aircraft parts, but said the £18.3m raised in a rights issue in April remained intact, giving it scope for further acquisitions.

Interest received had risen by about £200,000 as a result of the issue.

Turnover of £92.1m (£86.4m) was helped by just over £3m from last year's acquisition of Davall, a maker of gear products.

Mr Howard Wormsley, commercial director, said inflation had been irrelevant. "We decided it would be exceptional [illegible] any supplier [illegible] increase." However, EIS's [illegible] tomers had often taken a similar view.

The group had been fleet of foot in terms of finding new applications and geographic destinations for its products.

Mr Peter Haslehurst, chief executive, said the strongest performance had come from the Flexibox seals and couplings division, where demand had [illegible] buoyant [illegible] oil [illegible].

[illegible] precision engineering was similar to the first half of last year, while process equipment [illegible] shown [illegible] vulnerability to the motor and consumer goods sectors.

The group was protected by the geographic spread of its [illegible].

Two [illegible] lies [illegible] half of [illegible] in continental Europe. There are factories in 11 countries and the group operates in [illegible].

Earnings per share, adjusted for [illegible] 1-for-4 rights issue, [illegible] 14.211p (13.964p).

The interim [illegible] 3.175p (3.025p).

● **COMMENT**

One virtue of the UK recession [illegible] been to [illegible] the [illegible] from the chaff, giving a company [illegible] chance to shine. It has proved particularly adept [illegible] passing on its disciplines to acquisitions and the cash it has in hand will [illegible] to be amply repeated. Flightspares should prove a classic example, for behind its measly 1990-91 pre-tax profit of £230,000 lie sales of more than £11m and operating profit of nearly £1m. April's rights issue price of 265p, at quite a discount to the market price of 327p, looks even cheaper at yesterday's close of 370p, a new high. Bouquets aside, there are two slight dampeners. One is that the extra shares in issue, coming only two years after the last rights issue, will keep earnings per share flat this year and next, even on another forecast rise to £16m in 1992. The other is that EIS is short on recovery potential, although in 1993 a late-cycle upturn in process equipment should coincide with the full benefit of acquisitions picked up in the recession. On a prospective p/e of less than 13, it is at a dis[illegible] recovery stocks in engineering and [illegible] a strong hold.

Molins to fight Leucadia takeover

By [illegible] Maddox

MOLINS, [illegible] international [illegible] packaging machinery group, yesterday [illegible] 1 as [illegible] the extraordinary meeting [illegible] which it [illegible] independence [illegible] Leucadia National, the [illegible] and [illegible] conglomerate [illegible] already [illegible] 48.5 per cent of its shares.

The [illegible] urged shareholders to reject Leucadia's resolutions [illegible] replace [illegible].

[illegible] give [illegible] majority [illegible] Molins board if [illegible].

Molins has also declared a 3 per cent fall in interim pre-tax profits to £6.8m (£7.0m) for the [illegible] end [illegible] June.

Leucadia has steadily increased [illegible] failure of [illegible] offer [illegible] in May 1990.

It [illegible] now requisitioned [illegible] EGM [illegible] propose to remove three non-executive [illegible] of Molins and appoint [illegible] own nominees.

Molins argues that Leucadia is attempting to secure control without making a full offer to shareholders, "consistent with its corporate history [illegible] generally accepted principle in [illegible] Kingdom".

It points out that the Molins share price of about 357p is above Leucadia's offer of 275p per share in May 1990. Recent share purchases by Leucadia have been at 400p.

Despite a 29 per cent rise in turnover to £75m, Molins managed only a 5 per cent increase in trading profits to £6.9m (£6.6m).

Margins [illegible] by price competition in [illegible] the [illegible] machinery [illegible] business and North American packaging, and by the failure of SNOW UK [illegible] printing to make profits following a deferral of expected orders.

Pension [illegible] fell by [illegible] to [illegible] and interest payments [illegible] £1.8m (£1.5m).

Earnings fell 5 per cent to 16.4p (17.3p) and the half year dividend is maintained at 3p.

Molins' advisers are Lazard Brothers and Leucadia's are Hambros Bank. 8

Arjo Wiggins Appleton meets City forecasts with £136m

By [illegible] Thornhill

[illegible] Appleton, the Anglo-French [illegible] group which [illegible] formed last [illegible] through [illegible] Wiggins Teape Appleton and Arjomari-Prioux, yesterday reported "encouraging" progress against [illegible] background.

[illegible] profits for [illegible] months to [illegible] 30 [illegible] to [illegible] a notional comparable figure of £142m.

The profits [illegible] was in line with expectations but [illegible] lysts [illegible] disappointed that the [illegible] only held at 3.3p.

[illegible] fell 17p [illegible] 272p.

AWA's [illegible] slipped [illegible] to [illegible] with [illegible] prices disguising a marginal increase in [illegible] volumes. Earnings [illegible] amounted [illegible] 10.7p (11.7p).

[illegible] Stephen Walls, chief executive, [illegible] of merging [illegible] companies [illegible] progressing well – if at a slightly slower pace than he had originally hoped.

"If we look [illegible] the benefits of the merger then they certainly [illegible] anticipated at the time of the deal," he said.

Mr [illegible] adversely [illegible] by [illegible] ative currency movements and the group's [illegible] the [illegible] pulp [illegible] turing [illegible].

[illegible] at an [illegible] the [illegible] African paper group, regarding the sale of its 42.9 per cent stake in the Portuguese Soporcel pulp mill. A decision is expected before the end of the year.

Stephen Walls: sale of Portuguese mill stake progressing

A previous attempt to sell the stake for £126m to Stora of Sweden fell foul of the Portuguese government on competition grounds.

AWA's paper manufacturing activities saw a strong increase in operating profits from £126.9m to £142.2m as Appleton Papers in the US recorded strong gains. But paper merchanting was badly hit by depressed prices and profits fell from £14.3m to £8.8m.

The company's forestry and pulp operations experienced a sharp reversal in their fortunes as a result of weakening prices and fell from a profit of [illegible] into a £4.9m loss.

Mr Walls said he remained cautious about the prospects in the second half with recovery being delayed by the continuing over-capacity in some sectors of the paper market.

But he added that demand in the US had begun to pick up and that there were "glimmers" in the UK. "There are the first signs of improvement in activity levels but it is very fragile," he said.

France remained an uncertain market and Germany, which had remained extremely buoyant in the first six months, was beginning to soften, he said.

See Lex

Shortfall in orders cuts P-E by 33% to £1.8m in first half

By Bronwen Maddox

P-E International, the European management and computer consultancy, [illegible] a 33 per [illegible] slump in pre-tax profits for the first half of 1991, from [illegible] £1.8m, [illegible] tinuing UK [illegible] to [illegible] shortfall [illegible] second quarter orders [illegible].

Turnover [illegible] by 4 [illegible] helped [illegible] a 15 per [illegible] rise in [illegible] fees, [illegible] ticularly in systems [illegible] computer services, and by a brief [illegible] in UK fees after the Gulf war before the second quarter's disappointment.

In the UK the systems group performed well but [illegible] ment consultancy, information technology and computer [illegible] vices were hit in the second quarter as their customers cut [illegible].

Mr Hugh Lang, chairman, [illegible] "project [illegible] postponed and [illegible] enquiries were converted [illegible] firm orders."

Total costs rose [illegible] per cent, partly because more fee-earning staff were needed to secure [illegible].

Earnings [illegible] fell [illegible] per [illegible] 2 [illegible] cent increase in shares [illegible] acquisition of SNJB. The interim dividend is maintained [illegible] 2p.

The £9.8m [illegible] of Handley-Walker in August [illegible] group one of the UK's larg[illegible] independent management [illegible].

● **COMMENT**

The [illegible] of a management consultancy allowing staff costs to [illegible] in [illegible] for [illegible] comedy. Yet P-E has little choice but to retain key, expensive staff in [illegible] get a [illegible] of the scanty available business. The pause in acquisitions while Handley-Walker [illegible] digested will give a chance to judge the [illegible] and [illegible] whether other small acquisitions can [illegible] success. A full year pre-tax figure of £4.35m (£4.2m) and earnings of 14.4p (15p) scarcely [illegible] demanding [illegible] Handley-[illegible]. But nor does it leave room for the kind of nasty surprises that other acquisitive "people businesses" have [illegible] as earnouts that can be satisfied only if the whole group does well. A prospective p/e of 12.4 reflects the group's strong market position but will be vulnerable to further disappointment.

Better trend at Singer & Friedlander

Singer & Friedlander, the merchant banking and property group, yesterday reported a dip in interim pre-tax profits but a recovery from last year's poor second half year when bad debts hit its banking business.

Profits emerged at £8.11m against £8.72m in last year's first half and £4.85m in the second half. An unchanged 1p interim dividend is declared from earnings of 2.59p (2.64p).

Banking profits slipped to £4.28m (£5.02m) reflecting "quiet conditions in most of the areas in which the bank operates," the group said.

Property made a flat contribution of £1.31m with the portfolio virtually fully let. The group resumed buying property earlier this year after a near three-year gap while the market peaked then slumped.

Interest and investment [illegible] slightly to [illegible] (£3.15m) with higher earnings from [illegible] companies more [illegible] offsetting declining [illegible] on [illegible] balances.

CLF Holdings buy-back deal in £39m restructure

By Norma Cohen, Investments Correspondent

MR TONY Barnes, former chairman [illegible] CLF Holdings, has agreed [illegible] buy back the [illegible] bled [illegible] from lenders [illegible] CLF [illegible] for a nominal sum.

He [illegible] his company to [illegible] Holdings, a large-ticket leasing operation, in 1988 [illegible] £93m.

CLF Yeoman, said yesterday that its banks had agreed to restructure £39m in debts in exchange for a deal to spin off [illegible] company's troubled CLF subsidiary.

All debts were incurred in connection with losses at the CLF subsidiary.

Yeoman had earlier said that it had been unable to find a buyer for CLF, that it believed the subsidiary had no value, and that it had written its valuation down to zero. CLF is a small ticket leasing company with operations in the UK and [illegible].

Trading in [illegible] company's shares were halted on September 6 after the company said that talks with its 37 bankers had broken down.

Trading will remain suspended until shareholders have [illegible] the restructuring [illegible] expected in mid-October.

Meanwhile, CLF Yeoman [illegible] it was pursuing [illegible] claim against SG Warburg and solici[illegible] Linklaters and Payne. It [illegible] that they should have known about financial difficulties in [illegible] subsidiary [illegible] CLF which became evident shortly after the acquisition was com[illegible].

CLF Yeoman said [illegible] was now [illegible] in damages from Warburg, [illegible] between CLF's £93m purchase price and [illegible] unit's current value.

The company said it [illegible] optimistic about [illegible] for [illegible] legal action but did not [illegible] a hearing for [illegible] 18 months.

Acquisitions lift Bodycote to £5.52m

By Peggy Hollinger

Acquisitions and the absence of interest charges helped push Bodycote International, the metal technology group with holdings in packaging and textiles, ahead by almost 10 per cent for the six months to June 30.

Pre-tax profits rose from £5.03m to £5.52m on turnover down 16 per cent at £32.6m. The group received interest of £43,000, against charges of £835,000 last time.

"All our mainstream businesses performed well," said Mr Joe Dwek, chairman. Stockpack, the packaging arm, was the strongest business with [illegible] 25 to 30 per cent rise.

Despite its dependence on the aerospace industry, metal technology continued to show strong growth, contributing about 60 per cent of pre-tax profits, against 50 per cent.

Earnings rose to 13.4p (12.7p) and the interim dividend is lifted to 3.5p (3.25p).

Templeton Galbraith eases by 5% to $33.6m

By Philip Coggan, [illegible] Finance Editor

TEMPLETON, [illegible] Hansberger, [illegible] Bahamas-based fund management group, yesterday announced a 40 per cent increase in its interim dividend despite a 5 per cent fall in first half pre-tax profits.

The company said that the dividend increase reflected its strong cash position, the recent performance of [illegible] funds and confidence about the future of the [illegible]. The shares rose 3p to 230p.

Templeton's statement had a characteristically political message, citing the decline [illegible] communism as "one of the major [illegible] points in [illegible] history. The [illegible] largest worries [illegible] past 40 years have [illegible] evaporated. [illegible] was the danger of nuclear war. The other was the announced determination of the communists to dominate the earth."

Templeton believes that [illegible] recent changes will lead to more rapid increases in prosperity and [illegible] greater willingness to invest across international [illegible].

In the six months to June 30, Templeton's operating profits dropped by [illegible] per [illegible] (£16.2m) compared with $32.1m in the first half of 1990.

However, a substantial rise in income from its liquid assets to $6.67m ($3.63m) helped restrict the fall in pre-tax profits at $33.6m ($35.3m).

Funds under management at June 30 were $17.5bn, up from $15.9bn at the end of 1990. This increase was due to the rise in world stock markets. There was [illegible] $100m to redemptions. [illegible] half turn[illegible] from $104.2m, [illegible] of [illegible] decline in commission [illegible] derived [illegible] initial charges [illegible] fund sales.

Templeton said that adminis[illegible] 24 per cent over the first half of 1990 because of the purchase of Dais, a US quantitative research group and the conversion of Time Assurance into Templeton Life Assurance.

[illegible] per share were 18.6 cents (19.8 cents) [illegible] the [illegible] dividends is [illegible] (5 cents).

DIVIDENDS ANNOUNCED

	Current payment	[illegible] of payment	Corres - ponding dividend	Total for year	Total last year
[illegible] ....fin	1.25	[illegible] 21	2	2	4
Arjo Wiggins ....int	[illegible]	[illegible]	3.3	-	8.35
Beattie(James) ....int	1.4	[illegible] 1	1.4	-	6.6
Beazer ....fin	[illegible]	Jan 2	[illegible]	4	7.75
Bodycote [illegible] ....int	3.5†	Dec 31	3.25	-	8.75
[illegible] ....fin	3	[illegible] 7	[illegible]	[illegible]	4
Delta ....int	[illegible]	Dec [illegible]	4.2	-	14
EIS ....int	3.175†	[illegible]	3.025	-	11.4
Ferrum ....int	1.1†	Jan 6	1	-	2.25
[illegible] ....int	3	Oct 14	[illegible]	-	8.5
[illegible] (J) ....fin	3	[illegible]	1	9	2
Herring [illegible] ....int	3.25	[illegible] 28	3	-	6.5
[illegible] Counties ....int	2.75	[illegible] 24	2.75	-	8.25
Lambert Howarth ....int	4	Oct 24	3.6	-	11.25
Macro4 ....fin	7.175	Nov 11	[illegible]	11	8.9
[illegible] Trust ....int	[illegible]	Nov 14	[illegible]	-	9
[illegible] ....fin	0.5	Apr 6	1.5	[illegible]	1.5
Molins ....int	3	Oct [illegible]	[illegible]	-	12
[illegible] ....int	10	Sep 27	[illegible]	-	18
Osprey [illegible] ....fin	[illegible]	[illegible]	[illegible]	2.7	4.35
[illegible] (Michael) ....int	[illegible]	Nov 14	[illegible]	-	1.8
Parambe ....int	0.55	Oct 11	0.55	-	1.55
PCT [illegible] ....int	[illegible]	Nov 15	2.4	-	6.4
P-E Intl ....int	2†	[illegible] 1	[illegible]	-	6.2
Pittard Garnar ....int	nil	-	0.25	-	0.25
RPS § ....int	1.4	[illegible] 25	1.4	-	3.2
Scot Heritable ....int	nil	-	1.5	-	1.5
[illegible] §....int	1	Oct 29	1	-	3
Singer/FriedFer....int	1	Nov 1	1	-	2.5
Templeton Galb'h....int	7★	[illegible] 25	5	-	15
TLS [illegible] ....int	nil	-	1	-	1.8

[illegible] pence per [illegible] net except where otherwise stated. *Equivalent [illegible] allowing for scrip issue. †On capital increased by rights [illegible] ☆Carries scrip option. ★US [illegible] §Second interim.

UK COMPANY NEWS

Savoy cites Gulf war and recession for £0.67m loss

By David Churchill, Leisure Industries Correspondent

THE SAVOY Hotel yesterday announced a £674,000 loss for the first half of 1991, blaming the Gulf war and the effects of the recession on hotel occupancy.

The loss compared with a pre-tax profit of £5.94m at the same stage last year.

The company said that the impact of the war and the economic downturn was reflected in a 19 per cent fall in group turnover, from £45.6m to £36.9m.

The group comprises the Berkeley, Claridges, Connaught, and Savoy Hotels in London as well as the Lygon Arms in Broadway in the Cotswolds, and the Lancaster in Paris. It also owns several London restaurants and the Forest Mere health resort in Hampshire.

Savoy's ordinary shares are 69 per cent-owned by the Forte hotel chain and consolidated in its results, although it only has 42 per cent of the company's voting shares.

After several years of bitter rivalry between the two companies, an agreement reached two years ago means that Forte has two seats on the Savoy [illegible] in return for agreeing not to buy any more Savoy voting shares until the end of 1995.

Giles Shepherd: sees only a glimmer of confidence

Mr Giles Shepherd, Savoy's managing director, said yesterday that the first three months of the year "were some of the worst encountered since the beginning of the last war." He [illegible] that [illegible] operating level the group had been in [illegible] in the first quarter, although it had returned to profit in the following three months.

Occupancy levels in the Savoy [illegible] fell from an average [illegible] per cent in the first half last year to just under 60 per cent this year.

Mr Shepherd said that [illegible] throughout the group were [illegible] by more than [illegible] a month during the first half, with staff levels down by 10 per cent compared with the first half of last year.

Although trading picked up in June, Mr Shepherd said that hotel occupancy in July and August was disappointing. This was in spite of a 15 per cent fall in [illegible] when expressed in dollar terms in comparison with the beginning of the year.

He saw only a "glimmer of confidence beginning to appear" and said that the tendency of executives to book [illegible] rooms [illegible] meant that it was difficult to gauge the level of forward bookings.

J Haggas recovers and sees end of recession

By Nigel Clark

THE END of the recession has arrived according to Mr Brian Haggas, chairman of John Haggas, the West Yorkshire [illegible] spinner.

The spinning division was now working at full capacity and he expected a further improvement in conditions.

His comments accompanied a recovery in pre-tax profits in the second half of the year to June 30 resulting in year-end figures of £1.82m (£733,000).

The shares improved 12p to 70p.

He added that the recession was following the usual [illegible]. "Textiles went into recession two years before everyone else when all my [illegible] were chortling. Now we are the first out while everyone else is still complaining."

The first half of the year had seen short-time working in the spinning division and a 17 per cent fall in [illegible] profits.

Full-time seven day working and night production was restarted in the middle of March and conditions had gradually improved since.

"As far as this company is concerned the recession is over", he said.

Mr Haggas expected 1992 to be very busy. Many of the new orders were to be used for military uniforms both at home and overseas.

Improvements were also expected in the fabric and retail divisions. However, in the retail division it was a matter of containing losses until the climate improved.

In the year under review the loss in retail was cut from £1.22m to £249,000. Manufacturing showed an increase in profits from £1.95m to [illegible].

Turnover fell to £33.4m (£36.5m). Earnings per share were 5.4p (1.93p). Following the passed interim dividend a final of 3p is recommended, compared with the total of 2p last time.

Cost-cutting exercise only limits damage caused by recession

Delta profits dive by 28% to £33m

By Jane Fuller

A COST-cutting exercise that included reducing the workforce by a [illegible] could only limit the damage inflicted by the recession on Delta, the electrical cables and engineering group.

Taxable profit fell by 28 per cent to £33.1m (£46.1m) in the half year to June 29 after declines in volume of up to [illegible] per cent in parts of the business.

As forewarned at the annual meeting in April, the result was worse than the second half of last year when profits amounted to some £41m.

Turnover slipped by more than 6 per cent to [illegible] (£415.5m).

The share price fell 13p to 412p yesterday.

A lower tax rate and smaller minority charge limited the fall in earnings per share to 24 per cent – 14.3p compared with 18.9p.

The interim dividend is held at 4.2p.

Mr Robert Easton, chief executive, said the UK continued to "bump along the bottom". Signs of returning confidence had yet to translate into orders.

There was more activity in the US, where the group intended to build up its presence. Another acquisition was [illegible] was to increase the emphasis on protection against fire and other hazards in what was said to be "a decade of high safety".

The group was well placed to make an acquisition with gearing remaining at about the year-end level of 14 per cent on net debt of £41m.

Mr Easton said there had been [illegible] of hard work to fight the economic recession, including shedding 3,000 jobs and rationalising production.

In engineering, the [illegible] five units had been condensed into two and profit had held up comparatively well at £9.5m (£10.6m), with the help of a strong performance in Germany.

But the main damage was in cables, where profit fell nearly [illegible] per cent to £10.7m (£16.6m).

Mr Easton said volumes were down and prices under pressure in power and general cabling, with the newly privatised electricity companies destocking and negotiating aggressively on price.

The reorganisation of UK production had reduced the number of sites by more than a third, although capacity remained the same.

Greater volumes were needed to realise the potential operating efficiency.

Volume decline stemming from destocking by UK [illegible] also hit the circuit protection division, where profit fell to [illegible] (£8.9m).

[illegible] UK continued to bump along the bottom

Industrial services felt the impact of recession in Australia and Africa. [illegible] knocked off profits by exchange rate movements was incurred in this division.

See Lex

Nu-Swift falls to £10.7m as recession hits

Nu-Swift yesterday announced pre-tax profits down from £17m to £10.7m in the first half of 1991, as the recession hit the group's office cleaning and fire protection businesses in the UK and US.

Turnover declined from £187.5m to £165.7m.

The interim dividend is raised to 10p (8p) despite a fall in earnings to 15.43p (21.73p) per share. The group is 59 per cent owned by Mr Jacques Murray, its chairman, and 20.4 per cent by ADT, Mr Michael Ashcroft's Bermuda registered security and auction company.

Profits in the UK were £4.07m (£2.81m), while profits of National Cleaning, a US business, dropped to £1.57m (£5.04m). US trading conditions remained difficult, particularly in New York City, but a reorganisation earlier this year should show benefits in the second half, Nu-Swift said.

Interest earned was £7.01m (£6.18m) thanks to cash remaining from the £184m received in February 1990, for the sale of Compagnie Centrale Sicli, the French fire protection business.

The company identified property as a [illegible] core business and began investing last year in Las Vegas and London.

Pittard back in the black

By Peggy Hollinger

PITTARD GARNAR, the leather company, has returned to the black with pre-tax profits of £1.04m, against losses of £1.87m, [illegible] June 30.

"Although trading conditions have been far from easy, we have made progress in our drive to restore the group's financial well-being," said Mr David Macdonald, chairman.

Turnover fell by [illegible] to £50.4m, due to weak demand, a more selective policy on accepting customers, and a concentration on higher margin, lower volume products.

The clothing and chamois division, which last year reported operating losses of about £2m, produced a small operating profit although he added that "the clothing business is still far from buoyant".

This division, which accounts for about 30 to 35 per cent of group turnover, had been hardest hit by the collapse in sheepskin prices from [illegible] apiece last year.

Several businesses had been restructured and staffing reduced by 300 in 1990.

Earnings per share were 2.5p compared to a loss of 6.8p. No dividend is recommended on ordinary shares, although payments on preference shares will be maintained.

Crest Nicholson renegotiates £205m loan

By Andrew Taylor, Construction Correspondent

CREST Nicholson, the loss-making housebuilder and commercial property developer, has renegotiated a £205m multi-option loan facility after warning its bankers that it would breach interest cover covenants for the year to end-October.

Mr John Callcutt, chief executive of the group which earlier this year announced pretax losses of £33.9m for the six months to end-March, said he was very pleased with the response of the 17 banks.

The company parted company with Mr Roger Lewis, its former chief executive, at the beginning of July after announcing it would not be paying an interim dividend.

The 17 banks, led by National Westminster, have agreed to waive interest cover arrangements this year and have negotiated a lower level [illegible].

In return the interest premium on the loan package has been increased, "but not onerously," said Mr Callcutt. The multi-option facility was originally negotiated during the mid-1980s.

Group borrowings peaked at £115m this summer representing gearing of more than 80 per cent. Mr Callcutt said yesterday that Crest was on target to reduce borrowings to [illegible] by the end of October.

Polly administrators plan Sansui link

By David Barchard

THE CREDITORS' committee of Polly Peck International, the collapsed fruit and electronics conglomerate, were told yesterday of plans by the administrators to link Sansui Group, its Far Eastern electronics group, with two other electronics companies.

Mr Michael Jordan of Coopers & Lybrand Deloitte, the senior administrator, flew back to London for the day to attend the meeting with the creditors' committee.

Members were told that despite growing financial problems at Sansui, things are generally looking positive for the planned reconstruction of the group.

Sansui is in urgent need of cash as it [illegible] to incur a pre-tax loss of Y6.4bn (£28m) this year, reversing earlier expectations that the group would turn back into the black this year after half a decade of incurring losses.

Goldstar of Korea, and Mr Alf Gooding, the Welsh electronics entrepreneur, and Grand Holdings of Hong Kong been suggested as possible joint venture partners for Sansui.

Creditors were also told that plans for a partial floating of Del Monte Fresh Fruits on the New York Stock Exchange were proceeding well.

Tomorrow Mr Asil Nadir, Polly Peck chairman, makes his next appearance at [illegible] Magistrates court.

His lawyers are pressing for the officials from the Serious Fraud Office to visit northern Cyprus to inspect company records which they say will totally exonerate Mr Nadir of charges of theft from company funds. They say that the records have already been authenticated by forensic authorities recognised by the SFO.

Disposals and closures cut SHT losses

By Peggy Hollinger

[illegible] Heritable Trust, the mini-conglomerate, yesterday announced a reduction in interim losses, following the sale or closure of several loss-making businesses.

Pre-tax losses for the six months to June 30 fell from £3.88m to £3.15m on turnover down 29 per cent at £38.4m. Losses per share rose from 7.3p to 9.2p and the interim dividend is omitted (1.5p).

An extraordinary charge of [illegible] was due to debt refinancing costs and provisions for losses on asset disposals.

The group is in negotiations with bankers on an extension of a standstill agreement which expired on July 31. Net debt at the year-end was £66.4m. The proceeds of the asset sales, which include John Letters, the golf club manufacturer, and property in [illegible] and London, have been used to reduce debt. During the six months, the group closed OCM Canada, the oriental carpet group, and Nippasox, the tile manufacturer.

Mr John Whitehead, company secretary, said the group hoped to shed its entire property portfolio by the end of the year. Further non-residential property sales, amounting to about £6.5m had already been agreed.

The group has also withdrawn from UK housebuilding and on July 30 agreed the sale of Hearthstead Homes for £8.6m.

Standard Fireworks was the strongest business during the six months, with an order book which exceeded that of the same time last year. Standard made £3.1m profits for the whole of last year.

NEWS DIGEST

Macro 4 up 4% and optimistic

MACRO 4, the independent computer software company, lifted taxable profits from £7.35m to £7.65m in the year to June 30.

Mr Tom Kelly, chairman, said there had been no easing of the difficult trading conditions he had reported at the interim stage. And looking ahead, he said the group remained exposed to overseas currencies, particularly the dollar.

However, the continental European subsidiaries were anticipating continued growth, cash resources were strong and growing and he remained optimistic of more than a nominal profits increase during the coming year. The company's marketing philosophy remained one of renting rather than selling its products.

Earnings per share emerged at 23p (20.6p). A final dividend of 7.175p is recommended, lifting the total to 11p (8.9p).

Turnover improved by 22 per cent to £18m (£14.8m). The subsidiaries and agents contributed 78 per cent (76 per cent) of sales, reflecting, Mr Kelly said, increasing commitment to overseas markets. All subsidiaries continued to be cash generative and cash sufficient, he added.

Sturge to manage Lloyd's syndicate

Sturge Holdings, the biggest Lloyd's managing and members' agency group, is to manage Leadenhall syndicate 254, a medium-sized motor insurance syndicate with stamp capacity – permitted premium income – of £25.8m in 1991.

Leadenhall was formerly managed by Charman Underwriting Agency which will now concentrate exclusively on its marine syndicates.

James Beattie declines 22%

James Beattie, Wolverhampton-based department store group, suffered a 22 per cent fall in pre-tax profits from £3.02m to £2.37m for the six months to July 31.

The company blamed the recession. It added that it was not possible to judge the timing of any upturn and hopes of an improvement in the second half were almost certain to be frustrated.

Turnover was ahead at £28.3m [illegible] but that was at the expense of margins and trading profit fell to [illegible] (£1.49m). Net investment income and interest fell to £1.38m (£1.54m).

Earnings were 3.4p, against a restated 4.29p. The interim dividend is held at 1.4p.

Ferrum concerned over Dutch side

Ferrum Holdings, the engineering and oilfield services group, lifted taxable profits by 34 per cent over the six months to June 30.

The advance – from £1.06m to £1.42m – came on turnover ahead to £24m (£22.1m) and according to Mr Simon Miller, chief executive, represented "a continuing advance in spite of the current economic climate."

However, Mr [illegible] Dunlop, who is to retire as chairman at the year-end, warned that the Dutch economy showed signs of slowing, a trend that could affect the group's structures division.

The interim dividend is raised to 1.1p (1p), payable from earnings of [illegible] (3.34p).

Herring Son & Daw just ahead to £1.8m

Taxable profits at Herring Son & Daw Holdings, commercial property consultant, edged ahead from [illegible] to £1.81m in the six months ended July 31.

The company also announced two acquisitions yesterday. Leay Maxwell, Manchester, and the Bristol office of Keith [illegible] Groves, are being acquired for a total consideration not exceeding £250,000, of which [illegible] in shares is being paid for Leay Maxwell.

Mr Nick Owen, the chairman, said the interim result had been helped by a modest improvement in investment agency activity. Additionally, fees from [illegible] of business rate appeals were beginning to come in a little earlier than expected.

The dividend is stepped up to 3.25p (3p), payable from earnings of 9.74p (9.71p) per share. Turnover was lower at [illegible] (£6.66m).

Sharp decline to £636,000 at HCN

[illegible] advertising revenues forced Home Counties Newspapers Holdings, the printer and publisher, to report a sharp cut in pre-tax profit for the half year to end-June.

The outcome – down from [illegible] to [illegible] – was struck after a [illegible] exceptional charge for redundancy costs. Turnover was up from [illegible] to £10.8m.

The interim dividend is maintained at 2.75p, payable from earnings per share down from 14.36p to 4.25p.

The company warned that "any material improvement in the overall trading position must be dependent on the national economy and a return of confidence in advertising".

Difficult trading at Lambert Howarth

Trading at Lambert Howarth remains "difficult and competitive" according to Mr Roger Rowland, chairman of the Lancashire-based footwear group.

Despite an advance in taxable profits, from [illegible] to £1.49m, "there is no sign yet of a retail upturn", he said. The company had to absorb a proportion of the rise in VAT rates.

The improvement came on turnover of [illegible] (£20.7m). After tax at an estimated [illegible] per cent (30 per cent) earnings improved to 18.6p, against 16.4p last time and the interim dividend is lifted to [illegible] (3.6p).

Net assets ahead at Merchants Trust

The Merchants Trust, managed by Kleinwort Benson, reported a net asset value of 231.7p per share at July 31. This figure compared with 215.7p a year earlier and 191.3p at the trust's year-end in January.

Attributable revenue of the Kleinwort Benson-managed investment trust for the six months period amounted to £6.18m, up from [illegible] last time, for earnings of 6.04p (5.7p) per share.

A second interim dividend of 2.5p (2.25p) is declared. The directors intend to pay a total of 10p for the current year.

Michael Page down 25% to £2.09m

Michael Page Group, the recruitment agency, reported a 25 per cent decline in pre-tax profits in the six months to end-June.

The fall, from £2.79m to £2.09m, came from turnover down from [illegible] to [illegible].

Lord Rippon of Hexham, chairman, said the results reflected the continuing difficult economic conditions for service industries and for employment businesses in particular.

Earnings per share came out at 2.13p (2.78p) but the interim dividend is held at 0.6p.

Lord Rippon added that while no significant increase in trading levels was envisaged in the short term, the group remained committed to the development of its European network.

Parambe tumbles sharply to £1,475

A severe drop in pre-tax profits from [illegible] to £1,475 was announced by Parambe, a dealer in investments and works of art, for the half year to June 30. The result was struck after a fall from [illegible] to £55,840 in interest charges.

Earnings per share fell to 0.02p (0.66p) but the interim dividend is held at 0.55p.

Turnover declined by 25 per cent to £103,815 (£138,416). Gross investment income was barely down at £72,721 [illegible] but dealing income on [illegible] of art dropped to [illegible] and on securities to £2,520 [illegible].

The company said that the second half depended on the ability of Ashlar, its art dealing subsidiary, to increase sales.

Improved margins as PCT edges ahead

PCT Group, the USM-quoted company which markets and hires power tools and lifting and welding equipment, said that marginally increased interim profits reflected improved margins and cost controls.

The improvement for the first half of 1991, from [illegible] to £560,181, was achieved on turnover of [illegible]. Following an increased tax charge, earnings per share worked through at [illegible] (8.3p). The interim dividend goes up to 2.5p (2.4p).

Fairbriar shares suspended

Shares in Fairbriar, the Epsom-based housebuilder and developer, were suspended at 4p yesterday: "pending clarification of the company's financial position." The shares were suspended at the company's request.

Mr [illegible] Dipre, Fairbriar's chairman, announced in February that the group had made a pre-tax loss of [illegible] during the six months to September 1990.

He then warned that the company might have to make provisions against its property assets which could lead to an increase in borrowings.

Redundancy costs add to RPS fall

RPS, the USM-quoted environmental consultancy, reported pre-tax profits of [illegible] for the six months to June 30.

The outcome, struck after exceptional redundancy costs of £121,000, compared with £907,000 at the same stage of 1990 and came on turnover of £4.61m (£4.78m).

Mr [illegible] Clouston, chairman, said he expected margins to improve in the second half after cutting the cost base and developing more efficient ways of servicing clients.

A maintained interim dividend of 1.4p is payable from earnings of 1.64p (5.03p).

Severfield-Reeve drops to £505,000

[illegible] at Severfield-Reeve, the USM-quoted structural steel-maker, fell from £1.31m to £505,000 in the six months to end-June. Turnover dropped from [illegible] to [illegible].

Margins fell from 12.6 per cent to 7.7 per cent, reflecting "aggressive competition" in the industry.

Earnings per share were down from 8.2p to 3.24p but the dividend is maintained at 1p.

Commenting on the outlook, Mr John Reeve, chairman, said "bearing in mind the current recession affecting the construction industry, we have started the second half of the year with a good order book".

Robinson Brothers shows 85% advance

Partly because of an improvement in the sterling-dollar exchange rate, Robinson Brothers (Ryders Green), maker of organic chemicals, achieved an 85 per cent advance in pre-tax profits, in the half year to June 30.

On turnover up from £10.4m to £12.1m the taxable result came out at [illegible] (£410,000). Earnings were [illegible] (10p) per £1 share. The company's shares are not quoted.

TLS Range moves £267,000 into red

TLS Range, the USM-quoted vehicle [illegible] group, swung into the red in the six months to June 30.

An interim pre-tax loss of [illegible] compared with a profit of [illegible] last time and with a profit of [illegible] at the December year-end.

Turnover improved from [illegible] to £4.67m; profits at the operating level [illegible]. However, a surge in interest charges from [illegible] to [illegible] pushed the group into loss.

Mr Richard Birley, chairman, said that trading in the first half had been difficult as customers had suffered from the economic recession. However, the second half had started well, giving hope that the recession may be ending.

Losses per share came out at 1.58p (2.85p earnings) and there is no interim dividend (1p).

Cantors falls 37% and sees no upturn

Cantors, the retail furniture group, reported a 37 per cent decline in taxable profits in the year to April 27.

The fall, from [illegible] to £2.53m, came on a 15 per cent improvement in turnover from [illegible] to £57.03m.

Mr Harold Cantor, chairman, said that although the company made record first half profits it had not been immune from the chancellor's stated intention of restricting consumer demand.

In addition, bad weather, the Gulf war and the increase in the VAT rate combined to make the second half extremely difficult.

The recommended final dividend is held at 3p for a maintained total for the year of 4p. Earnings were 16.92p (17.9p).

Recession catches up with Gaskell

Exposure to the depressed construction and motor industries weighed heavily upon Gaskell, the Lancashire-based carpets group.

Taxable profits for the six months to June 28 slumped to just £55,000 against £1.06m last time. Turnover declined to £16.8m (£20.8m) reflecting lower sales of contract carpet tiles and automotive upholstery products.

Nevertheless, the interim dividend is held at 3p, payable from earnings of 0.6p (13.9p) per share.

Osprey falls sharply to £869,000

Osprey Communications saw pre-tax profits for the year ended May 31 drop from £1.56m to £869,000 on turnover up from [illegible] to £31.2m.

Much of the downturn was due to clients delaying expenditure.

A recommended final dividend of 1.35p [illegible] a total of 2.7p (4.35p). Earnings per share fell to 4.67p (8.38p).

"The pace of recovery from the recession remains uncertain," said Mr John French, chairman. "But we are encouraged by the first [illegible] unaudited management accounts for the first two months of the current year which show the best profits ever achieved during this period."

Adscene down 37% but recovery seen

The Adscene Group, printer and publisher of provincial newspapers, reported a 37 per cent fall in pre-tax profits from £1.12m to £705,000 in the year to May 31.

Publishing operating profits were down by [illegible] per cent while there was a 19 per cent fall in printing.

Mr Harry Lambert, chairman and chief executive, said that on the basis of the first quarter's figures the present year should be considerably better than last.

Turnover was £17m [illegible]4m) with earnings per share coming out at 3.6p (4.4p).

A recommended final dividend of 1.25p makes [illegible] (4p) for the year.

Provisions put Micklegate in red

Provisions against the fall in value of some of its properties left Micklegate Group with taxable losses of £806,000 for the year to end-April, compared with profits of £2.31m.

Net tangible assets at the USM-quoted property group fell from 22.1p to 18.6p per share.

On turnover of £7.74m (£6.25m) there was a profit of [illegible] before the [illegible] of exceptional charges.

The group was continuing its policy of keeping completed and let developments rather than selling them at discounted prices.

Losses per share came out at 2.79p (earnings 8.43p). The proposed dividend is [illegible] 0.5p (1.5p).

£20m expansion for Land Securities

Land Securities, the UK's largest property company, has bought the Coppergate Centre, York's main shopping centre, from Wimpey Property Holdings for £20m.

The 160,000 sq ft retail development, which has annual rental income of £1.65m, has national and local retailers, including Dolcis, Marks and Spencer, Fenwicks, Principles and the Body Shop. It also incorporates the Jorvik Viking museum, which has 1m visitors a year.

Wimpey said that the sale reflected its intention of trading actively in property, while reducing its long-term investment commitments.

COMMODITIES AND AGRICULTURE

Nickel producers consider following Inco output cut

By Bernard Simon in Toronto

SOME LEADING nickel producers [redacted] considering following Inco's example of a production cut in an effort to head off a further decline in metal prices.

Inco, the world's second-biggest producer after Norilsk in the Soviet Union, [redacted] trimming its output of refined nickel by 10m lbs for the remainder of 1991 by halting production [redacted] some [redacted] its higher-cost facilities [redacted] Sudbury, Ontario. The company's output for [redacted] was expected to be slightly higher than last year's [redacted] lbs.

[redacted] *main rival, Falconbridge,* is [redacted] others rumoured to be examining further production *cuts. It recently* announced [redacted] of [redacted] than [redacted] per cent [redacted] Kristiansand *refinery in Norway.* Falconbridge [redacted] not available for comment yesterday.

Inco is concerned [redacted] growing supplies, especially from the Soviet Union, may repeat the unsettling experience of early 1990, when prices fell [redacted] low [redacted] lb. Three-month metal on [redacted] London Metal Exchange closed yesterday up $27.50 at $7,822.50 [redacted]

LME WAREHOUSE STOCKS (As [redacted] Monday's [redacted] tonnes)		
Aluminium	[redacted]	[redacted]
Copper	−1,350	to 308,650
Lead	+125	to 96,050
Nickel	+630	[redacted]
Zinc	+1,750	to 149,575
Tin	−45	to 15,155

tonne, equivalent [redacted] a lb.

In addition, producers appear to have [redacted] eye on long-term contract negotiations which [redacted] due [redacted] next month. *The contracts,* typically for three years in Inco's case, contain [redacted] floor *and ceiling prices,* and a [redacted] market now might give [redacted] tomers [redacted] leverage [redacted] *demand [redacted] drop in contract* [redacted] their present [redacted] per lb.

The nickel consumption picture [redacted] mixed. [redacted] Victor Lazarovici, analyst [redacted] BBN [redacted] Capel [redacted] Toronto, [redacted] yesterday that North American stainless steel producers [redacted] little recovery in demand, and have become [redacted] in [redacted] purchasing commitments.

Inco however, [redacted] that strong [redacted] in Japan and other parts of the Far East will offset stagnant markets in North America and Europe, and that western demand will [redacted] strong [redacted] 1990's 1.5bn lbs. Lower consumption in the [redacted] Union and eastern Europe may [redacted] contributing however, [redacted] rising Soviet supplies.

An Inco [redacted] said yesterday that the production cutbacks will have no effect [redacted] its expansion plans [redacted] Thompson, Manitoba, which [redacted] proceeding on schedule. However, [redacted] hiring freeze [redacted] reinstated and all overtime work has [redacted] cancelled.

In the Ontario division, production [redacted] suspended at [redacted] *Creighton No. [redacted] mine* which [redacted] brought out of mothballs last October to meet strong demand. Mining of [redacted] deposits adjacent [redacted] Garson mine has also [redacted] suspended. [redacted] development of the [redacted] McCreedy [redacted] mine, which began in [redacted] being halted for further [redacted]

Inco said that some other capital spending plans may [redacted] in both Ontario [redacted] cash.

Anti-CAP booklet launched

[redacted] Brown in Sydney

THE AUSTRALIAN government yesterday stepped up its campaign against European Community agricultural subsidies by launching a [redacted] let designed to make consumers aware of the costs of the Common Agricultural Policy.

The CAP was the main target of the Australian-led Cairns Group of 14 agricultural exporting nations during [redacted] unsuccessful Uruguay Round of the Gatt, which stalled [redacted] December in Brussels as [redacted] result of the row between the [redacted] and the EC over farm subsidies.

Australia has long argued that EC [redacted] would not accept the costs of the CAP if they were aware of its full effects. However, [redacted] timing of [redacted] of the booklet indi[redacted] it is intended [redacted] lay the groundwork for [redacted] renewed Cairns Group attack [redacted] the CAP when the Uruguay Round talks [redacted] later [redacted] year.

The government [redacted] paying A$40,000 (£18,000) for 7,000 copies [redacted] booklet, Are You Paying Too Much?, in an attempt [redacted] strengthen internal EC opposition [redacted] CAP.

The [redacted] is being pub[redacted] in English, French, German, Spanish and Italian, and will [redacted] distributed through Australian embassies [redacted] "influential" groups such [redacted] taxpayers' associations and consumer groups.

It says CAP subsidies increase taxes by up to 37 [redacted] cent and food prices by between [redacted] per cent [redacted] per cent, adding £400 [redacted] year [redacted] food bill [redacted] £235 [redacted] bill for [redacted] household.

"The pamphlet demonstrates that the CAP not only grossly distorts world trade, but also massively inflates [redacted] price EC consumers [redacted] charged for [redacted] produce [redacted] the [redacted] of [redacted] they have to pay," said Dr [redacted] Blewett, the Trade Minister. The [redacted] of protec[redacted] not readily identifiable to consumers, who [redacted] of the [redacted] of the financial burden of [redacted] CAP, he said.

"It [redacted] in [redacted] interests of [redacted] pro-protectionist governments to [redacted] available this kind of information, which might [redacted] stronger calls for reform. This [redacted] why the Australian government has taken the unusual step of preparing information for dissemination in another country."

The booklet drew immediate criticism from Mr Ove Juul Jorgensen, leader of the EC delegation [redacted] Australia, said it was "not conducive" to resolution of the Uruguay Round. "I don't think it is the most brilliant idea in the [redacted] phase of these very complex negotiations," [redacted] said.

MINOR METALS PRICES

Prices from [redacted] Bulletin (last week's in brackets).

ANTIMONY: European [redacted] market 99.6 per cent, [redacted] per tonne, in warehouse, 1,640-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, [redacted] lb, [redacted] lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. [redacted] per cent, $ [redacted] lb, in warehouse, 2.05-2.35 (1.95-2.15).

COBALT: European free market, 99.5 per cent, [redacted] lb, in warehouse, 14.00-14.50 (13.85-14.30).

MERCURY: European free market, min. 99.99 [redacted] cent, [redacted] lb flask, in warehouse, [redacted] (same).

MOLYBDENUM: European free market, drummed molyb[redacted] oxide, [redacted] per [redacted] Mo, in [redacted] house, [redacted] (2.27-2.32).

SELENIUM: European free market, min [redacted] per cent, $ [redacted] lb, in warehouse, 4.80-5.40.

[redacted] ORE: European [redacted] market, standard min. 65 per cent, [redacted] per tonne unit (10 kg) WO_3, cif, [redacted] (same).

[redacted] European free market, min. 98 per cent, [redacted] a lb V_2O_5, cif, 2.20-2.40 (same).

URANIUM: Nuexco exchange /value, [redacted] per lb. U_3O_8, 8.75 (8.55).

Soviet crisis keeps markets guessing

Kenneth Gooding, David Blackwell and Barbara Durr on post-coup confusion

LAST MONTH'S abortive Kremlin coup d'etat and the ensuing constitutional crises have highlighted the impact on world commodity markets of the calamitous decline of the Soviet economy over the past two years. The question now concerns the extent to which increased western aid will allow the government to satisfy its population's hunger for food imports and take the edge of the country's appetite for hard currency, thereby staunching the flood of metals exports that have been undermining western markets.

American grain traders are awaiting new estimates this week from the US Department of Agriculture on Soviet supply and demand for grains. Fresh figures will be out tomorrow, based in part on the findings of a USDA team that was in the Soviet Union during the week of the coup examining the state of the Soviet wheat crop.

In August, before the coup, the USDA had already raised its estimate of Soviet import needs during the 1991-1992 grain marketing year [redacted] 37m tonnes, a 10.3m-tonne increase compared with last year.

With $900m worth of [redacted] government agricultural credits hanging in the balance, the coup had made the grain market gyrate wildly last month, first plummeting then shooting back up.

But two problems are [redacted] casting a pall on the market: the political instability of the Soviet Union, and the unwillingness of commercial banks under these highly uncertain circumstances to finance Soviet grain purchases.

Worries about Soviet financial accountability have caused commercial banks to hesitate on financing the $315m worth of credits that President George Bush has made available immediately. Under the US government credit programme, 98 per cent of the grain purchase and 4.5 per cent of the interest [redacted] covered.

The Soviets have been able [redacted] buy 100,000 [redacted] of maize using their last credit remaining for 1990-91.

Among the so-called "soft" commodity markets the Soviet Union has [redacted] importance for sugar. It is [redacted] significant producer, with just over [redacted] hectares sown to sugar beet, yielding about 9m tonnes of sugar.

About half [redacted] industry is concentrated in the Ukraine, with another third [redacted] the Russian Federation. The Ukraine trades sugar against oil from the Russian Federation.

Mr Chris Pack, analyst with Czarnikow, [redacted] London trader, points out that Soviet beet yields [redacted] only three [redacted] a hectare, compared with the EC's six to eight tonnes. "Just a modern beet seed would improve things quite a bit," [redacted] says.

The transportation system is inefficient, and about 10 per cent of the crop disappears before it reaches the crushing factories, which are themselves old and [redacted] down.

However, Soviet per capita consumption, at 42 kg, is significantly higher than the EC's 30 kg. Much of the extra sugar is used by the "moonshine" industry brewing illicit vodka, Mr Pack believes.

Traditionally most of the annual Soviet deficit of about 4.5m tonnes has been filled by swapping oil for Cuban sugar. That trade is beginning to falter, however, which could lead not only [redacted] Cubans seeking [redacted] buyers, but also to the former Soviet countries seeking [redacted] suppliers.

Until two years ago the Soviet Union was among the world's leading consumers of [redacted] but its bean grindings have since declined by [redacted] per cent to 70,000 tonnes, according to Gill & Duffus, the London trader. And Mr Tony Chadwick, analyst with Prudential Bache, believes the figure could be even lower next year.

Soviet cocoa bean grindings

While chocolate making is a big industry in the Soviet Union, employing many people, such a luxury product is bound to take a back [redacted] behind bread-making wheat and sugar. Nevertheless, consumption figures [redacted] more likely to rise than [redacted] as personal spending power increases.

The same can be [redacted] for coffee, another luxury. The great bulk of the Soviet Union's consumption of just over 1m bags (60 kg each) comprises Indian robusta, which is traded for gas oil.

For the [redacted] markets the Soviet Union's importance is as a supplier. In volume [redacted] it is [redacted] world's leading producer of iron ore, lead, nickel, manganese and potash. Furthermore, its output of copper, gold, diamonds, platinum, palladium, rhodium and zinc [redacted] of global significance.

[redacted] the biggest impact [redacted] the Soviet search for foreign currency and [redacted] ability to divert materials from a sagging domestic economy has been felt in the [redacted] metal markets – [redacted] for copper, aluminium, nickel, lead, zinc [redacted] tin.

Uranium free market prices [redacted] well below the [redacted] of production because western traders [redacted] drawing on huge Soviet stockpiles – estimated to contain up to 200,000 tonnes or four years of western requirements – to provide [redacted] alternative [redacted] of supply.

Much of the Soviet mineral wealth is found in Siberia, part of the *Russian Federation,* but the high-grade manganese [redacted] found in Georgia, there [redacted] large iron [redacted] deposits in the Ukraine [redacted] well as Russia, while Kazakhstan, the [redacted] industrialised of the Asian republics, [redacted] lead and zinc mines [redacted] smelters [redacted] well [redacted] aluminium smelters. There [redacted] also a large aluminium smelter (possibly with an annual capacity of [redacted] tonnes) in Tajikistan in central Asia. Copper is found in Armenia [redacted] Kazakhstan [redacted] well as Russia.

The Soviet Union [redacted] made its mark in the west's [redacted] *metal markets most heavily* with nickel, produced at Norilsk, on the Kola peninsula [redacted] the Finish border.

Nickel exports from the Soviet Union to the west nearly tripled in the [redacted] and now account for about 15 per cent of western world supplies. The Soviet Union and its former eastern bloc satellites have also been satisfying between 1 [redacted] cent and 3 per cent of western demand for copper and aluminium, enough to have a significant [redacted] prices when supplies were tight.

As the Soviet economy went into reverse last year, however, its metal sales to the west – [redacted] in [redacted] cuts in imports – had [redacted] profound impact on market balances and continued to weigh heavily [redacted] prices in the first half of 1991. The Metals [redacted] Minerals Research Services consultancy group suggests [redacted] the unexpected flows [redacted] the [redacted] bloc are likely to send prices [redacted] metals traded on [redacted] London Metal Exchange (where world prices are determined) down by an average [redacted] per [redacted] this year, taking them close [redacted] their historic lows of 1986.

Copper imports from the [redacted] bloc countries jumped from 140,000 to [redacted] tonnes [redacted] year and it [redacted] principally the sharp increase in these [redacted] that prevented another shortfall in supplies. [redacted] suggests that [redacted] bloc copper exports will rise to [redacted] this year.

[redacted] aluminium shipments [redacted] from 310,000 tonnes in [redacted] 450,000 [redacted] forecasts an increase [redacted] tonnes. [redacted] says the [redacted] market moved into a supply surplus [redacted] year because of a flood of Soviet material. In [redacted] the eastern block *imported* 3,000 [redacted] of lead. *Last year it exported* [redacted] tonnes and MMRS forecasts another [redacted] tonnes [redacted] its way to the west this year.

Nickel shipments from the Soviet Union had already [redacted] a very high level [redacted] showed only a marginal increase, from [redacted] to 100,000 tonnes, last year. [redacted] believes there will be another slight rise, [redacted] this year.

It says the continued absence of Soviet buying of refined tin "has delayed the point at which the market approaches some form of equilibrium". The former Comecon countries imported no tin last year after taking [redacted] tonnes in 1989.

There [redacted] a complete reversal in [redacted] in zinc [redacted] year. Comecon imports [redacted] 4,000 [redacted] in [redacted] replaced by exports of [redacted] and exports could [redacted] near this level again in 1991.

There [redacted] be doubts about whether the Soviet Union can maintain metals output because most of its smelting and refining capacity has been deteriorating while the finance required for expansion has [redacted] limited.

By western standards the Soviet metals industry is grossly inefficient and also a terrible polluter. In the past 18 months copper plants in Armenia and the Urals have been closed for environmental reasons. The aluminium smelter in Kanaker in [redacted] shut [redacted] long [redacted] as 1984 and the Sumgait aluminium smelter in Azerbaijan was [redacted] this summer.

A Scandinavian group, led by Outokumpu of Finland, [redacted] putting together a scheme to upgrade [redacted] six nickel smelters owned by the Norilsk Com[redacted] peninsula, the biggest *producer of this* metal in the world – and also one of the world's great polluters.

Norilsk also produces nearly all the Soviet Union's platinum *group metals. All three* [redacted] are essential in [redacted] tive anti-pollution catalysts *and the* [redacted] *Union last* [redacted] *in the* [redacted] about [redacted] troy [redacted] of platinum, [redacted] *of rhodium* [redacted] 1.66m [redacted] *of palladium.* That represented about 50 per cent *of the west's palladium* needs, 20 per cent for platinum and [redacted] rhodium.

"A meltdown in [redacted] *precious metals mining would* impact the rhodium price *first," says* [redacted] Andy Smith, analyst with [redacted] Union [redacted] of Switzerland. "Not only [redacted] *Soviets dominant suppliers,* just below South Africa, but also Soviet [redacted] probably low. [redacted] comes out [redacted] end of [redacted] platinum group [redacted] als refining process, [redacted] inefficiencies along the production chain would [redacted] rhodium the hardest."

The Soviets certainly loom [redacted] in the platinum [redacted] metals markets than in gold but [redacted] country aimed [redacted] between $2.5bn and [redacted] of foreign currency [redacted] year from gold [redacted] according to Mr Timothy Green, [redacted] independent analyst [redacted] author of several [redacted] metal. To [redacted] so it [redacted] sold [redacted] annual [redacted] to 8m ounces. Mr [redacted] says [redacted] annual [redacted] up to 11m ounces of [redacted] now be expected.

Most analysts believe [redacted] Soviet Union will [redacted] tress [redacted] of its gold, which it needs [redacted] retain in reserves to provide some credibility for its currency. However, they become [redacted] about the [redacted] of possibly [redacted] ounces [redacted] on [redacted] in [redacted] west (sold [redacted] with a promise [redacted] buy back at an agreed future date) should [redacted] cash to buy the metal back not [redacted] available.

Soviet Metal Production		
[redacted] ([redacted] tonnes)	1990	[redacted] total
Aluminium	[redacted]	11%
Copper	[redacted]	9%
Lead	[redacted]	9%
Nickel	[redacted]	12%
Tin	15	8%
Zinc	[redacted]	13%
[redacted] (troy ounces)		
Gold	[redacted]	14%
Silver	45m	12%
Platinum		
[redacted]	[redacted]	45%

*excluding [redacted]

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices moved [redacted] on the LME despite a [redacted] 5,700 tonnes in LME warehouse [redacted] a record 631,650 tonnes. The gains came [redacted] of firmer copper and some forward trade buying interest. IPAI smelter stocks for July showed [redacted] total [redacted] 37,000 [redacted] and unwrought down [redacted] tonnes underpinned prices. [redacted] traders pointed out [redacted] producers were only moving [redacted] to [redacted] LME, where [redacted] rose [redacted],873 [redacted] in July. Copper prices were easier following profit taking and chart selling. [redacted] that [redacted] fell [redacted] tonnes, the first drop [redacted] July, although expected, was supportive but early gains soon [redacted] selling. London [redacted] moved ahead on [redacted] of [redacted] York's overnight [redacted] about dry weather in Brazil. [redacted] in Chicago [redacted] and [redacted] keeping [redacted] under pressure in light trading [redacted] tomorrow's USDA [redacted] report. Comex gold futures [redacted] trading lower [redacted] midday [redacted] Soviet [redacted] warned [redacted] possible gold sales. Tass quoted [redacted] deputy [redacted] the Bank for Foreign E[redacted] "Hasty, unco-ordinated [redacted] (among [redacted] increasingly [redacted] republics) [redacted] very [redacted] 'spoil' [redacted] market [redacted] to [redacted] fall in prices for gold."

Compiled from [redacted]

London Markets

SPOT MARKETS		
[redacted] oil (per barrel [redacted]		+ or -
Dubai	$17055-7.15q	+0.10
Br[redacted]	[redacted]	+125
Br[redacted]	[redacted]	+0.10
W.T.I (1 pm [redacted]	[redacted]	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
[redacted]	$246-248	+1
Gas Oil	$192-194	+2.5
Heavy Fuel Oil	$69-71	
Naphtha	[redacted]	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$350.60	-0.85
Silver (per troy oz)♣	403.5c	-3.0
Platinum [redacted] troy [redacted]	[redacted]	
[redacted] oz)	[redacted]	[redacted]
Copper (US Producer)	110.0c	-0.02
Lead (US Producer)	36.4c	
[redacted] (Kuala Lumpur market)	[redacted]	[redacted]
[redacted] York)	258 [redacted]	
[redacted] Prime [redacted]	62.0	
[redacted] (live weight)†	101[redacted]	-3.36*
Sheep (dead weight)†	107.2[redacted]	-11.16
Pigs (live weight)†	70.32	+4.99*
[redacted] daily [redacted] (raw)	[redacted]	-1.0
[redacted] daily sugar (white)	[redacted]	-2.0
Tate and Lyle [redacted]	[redacted]	-1.5
[redacted]	£112.0x	+0.5
[redacted] (US No. [redacted]	[redacted]	
[redacted] (US [redacted]	[redacted]	
R[redacted]	[redacted]	
Rubber (Nov)♥	[redacted]	
Rubber (KL RSS No 1 [redacted]	[redacted]	-0.5
[redacted] oil [redacted]	$470.0*l*	[redacted]
Palm [redacted]	$320.0t	
Copra (Philippines)§	$300.0*l*	+12.5
Soyabeans [redacted]	£151.5x	
[redacted] "A" index	70.60c	+0.10
[redacted] Super)	360p	

£ a tonne [redacted] c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Sep/Dec [redacted] x-Sep y-Aug/Sep [redacted] l-Oct/Nov. †Meat [redacted] fatstock prices. *change [redacted] physical market. [redacted] Rotterdam ♣ [redacted] market close m-Malaysian [redacted].

SUGAR – London [redacted]			[redacted]	
[redacted]	[redacted]	Previous	High/Low	
[redacted]	200.60	203.00	204.[redacted]	[redacted]
Dec	[redacted]	186.00	[redacted]	[redacted]
Mar	[redacted]	191.00	[redacted]	[redacted]
May	190.00	[redacted]	[redacted]	186.00
[redacted]	200.00	[redacted]		
White	[redacted]	[redacted]	[redacted]	
[redacted]	285.2	285.5	[redacted]	[redacted]
Dec	279.2	[redacted]	[redacted]	278.1
Mar	[redacted]	280.1	[redacted]	[redacted]
May	[redacted]	279.5	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted] 50 [redacted]
White 2815 [redacted]
Paris- White (FFr per tonne): Oct 1851

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
[redacted]	19.94	19.84	20.03	[redacted]
Nov	[redacted]	[redacted]	[redacted]	[redacted]
Dec	[redacted]	[redacted]	[redacted]	[redacted]
Jan	19.[redacted]	[redacted]	[redacted]	[redacted]
Feb	[redacted]	[redacted]	19.85	
Mar	19.75		[redacted]	18.72
[redacted]	19.66	19.55	19.66	
May	19.62		19[redacted]	
IPE Index	19.[redacted]	[redacted]	19[redacted]	

[redacted]

GAS OIL – IPE			[redacted]	
	[redacted]	[redacted]	High/Low	
Sep	[redacted]	189.50	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	196.25	[redacted]	196.50	[redacted]
Dec	[redacted]	195.00	[redacted]	195.00
Jan	[redacted]	194.00	[redacted]	194.00
Feb	189.25	[redacted]	[redacted]	189.25
[redacted]	[redacted]	183.00	[redacted]	184.25
[redacted]	[redacted].50	178.50	179.50	[redacted]

Turnover 13432 (13056)lots of 100 tonnes

JUTE
C and F Dundee: BTC US$425, BWC US$425, BTD US$390, BWD US$385. C and F Antwerp: BTC US$400, BWC US$395, BTD US$375, BWD US$370

COTTON
Spot [redacted] shipment [redacted] ending [redacted] to 86 tonnes [redacted] in [redacted] week. [redacted] with only [redacted] in Russian qualities

COCOA – London FOX			£/tonne	
	[redacted]	Previous	High/Low	
Sep	712	710	712	[redacted]
[redacted]	[redacted]	737	[redacted]	[redacted]
[redacted]	[redacted]	773	[redacted]	766
May	798	792	796	788
Jul	816	812	816	808
[redacted]	836	830	835	[redacted]
[redacted]	856	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	873	880	870
May	897	[redacted]	[redacted]	
Jul	914	[redacted]	[redacted]	904

Turnover 3488 (4256) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price [redacted] Sep [redacted] 943.10 [redacted] 10 day average [redacted] 899.08 (891.26)

COFFEE – [redacted] FOX			£/tonne	
	[redacted]	[redacted]	High/Low	
Sep	541	[redacted]	547	540
Nov	587	[redacted]	575	565
Jan	586	582	592	585
Mar	597	593	602	[redacted]

[redacted]
ICO [redacted] prices (US [redacted] pound) [redacted] 9 : Comp. daily [redacted] (67 [redacted]) 15 [redacted] average [redacted] (64.42)

[redacted] – London [redacted]			£/tonne	
	[redacted]	Previous	High/Low	
Apr	[redacted]	[redacted]	[redacted]	[redacted]

T[redacted] lots [redacted]

SOYAMEAL – London FOX			£/tonne
	[redacted]	Previous	High/Low
Dec	[redacted]	[redacted].00	[redacted]

Turnover 50 (115) lots of 20 tonnes.

FREIGHT – London FOX			[redacted] point	
	Close	Previous	High/Low	
Sep	1607	1607	[redacted]	[redacted]
Oct	1704	1710	1715	1700
Jan	1718	1718	17[redacted]	[redacted]
Apr	1717	1725	1725	1720
Oct	1575	1563	1565	
BFI	1549	1547	1549	

Turnover [redacted]

[redacted] – [redacted] FOX			£/tonne	
[redacted]	Close	Previous	High/Low	
[redacted]	114.35	114.10	114.25	114.25
[redacted]	117.00	[redacted]	117.00	116.70
[redacted]	[redacted]	120.10	120.40	[redacted]
Mar	[redacted]	[redacted]	[redacted]	123.25
[redacted]	[redacted]	[redacted]	[redacted]	
Barley	[redacted]	[redacted]	High/Low	
Nov	113.45		113.45	
[redacted]	117.15		117.20	
[redacted]	[redacted]		119.50	119.40
[redacted]	121.30		121.30	

Turnover: [redacted] (143), [redacted] 46 (0).
Turnover [redacted]

[redacted] – London FOX (Cash [redacted])				
	[redacted]	[redacted]	High/Low	
Oct	101.5	101.0	101.0	101.0
Nov	105.5	104.5	105.0	104.5
Jan	105.0	105.0	[redacted]	
Mar	[redacted]	[redacted]	108.5	
Apr	[redacted]	110.5	[redacted]	
May	110.0	110.0	110.0	

Turnover:41 (14) [redacted] kg

[redacted] – London FOX					
	[redacted]	Prev.	High	Low	[redacted]
Index	136.96	1[redacted]			
Sep	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Oct	[redacted]	[redacted]	[redacted]	[redacted]	75
Nov	139.60	140.50	[redacted]	139.60	80
Dec	139.90	141.00	[redacted]	139.90	80

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated [redacted] Trading)				
	Close	Previous	High/Low	AM Official	Kerb [redacted]	Open [redacted]
Aluminium, [redacted] purity ($ per tonne)						[redacted] daily turnover [redacted]
Cash	1253-6	1243-4	1252	1252-3		
3 months	[redacted]	1274-5	1286/1272	1282-3	1286-7	- lots
Copper, [redacted] A (£ per tonne)						Total daily [redacted] lots
Cash	[redacted]	1364-5	1352/1347	1347-8		
3 months	1362-3	1364-4.5	[redacted]	[redacted]	1362-3	- lots
Lead (£ per tonne)						Total daily [redacted] 2,746 [redacted]
Cash	[redacted]	313-3.5		316.5-7.0		
3 months	[redacted]	325-5.5	328 [redacted]	327.5-8.0	328-9	- lots
[redacted] ($ per tonne)						[redacted] daily [redacted] lots
Cash	7810-20	7770-80	7825/7920	7820-25		
3 months	7820-25	[redacted]	[redacted]	[redacted]	7895-60	- [redacted]
[redacted] ($ per tonne)						Total daily [redacted] 1,413 [redacted]
Cash	5580-90	5560-70		5580-82		
3 months	[redacted]	5645-55	[redacted]	[redacted]	5665-8	- [redacted]
[redacted] Special High Grade ($ per tonne)						Total daily [redacted] 4,784 [redacted]
Cash	1027-9	1030-2		1025-6		
3 months	1045-6	1047-8	[redacted]	[redacted]	1045-6	- [redacted]
LME Closing £/$ [redacted]						
SPOT: 1.7300		3 months: 1.7119		6 months: [redacted]		9 months: [redacted]

LONDON BULLION MARKET (Prices supplied by [redacted] N.M Rothschild)		
[redacted] (fine oz) [redacted] price		£ equivalent
Close	[redacted]	
Opening	350.90-351.30	
Morning fix	351.20	202.421
Afternoon fix	[redacted]	202.686
Day's high	351.90-352.30	
Day's low	350.40-350.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.21	6 months	4.95
2 months	5.16	12 months	[redacted]
3 months	5.11		

[redacted] fix	p/fine oz	US [redacted]
Spot	234.40	[redacted]
3 months	240.25	411.65
6 months	245.85	417.55
12 months	258.25	430.85

GOLD [redacted] (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	[redacted]	202.75-203.25
Maple leaf	[redacted]	[redacted]
[redacted] Sovereign	85.00-88.00	[redacted]

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Dec	Oct	Dec
1200	87	[redacted]	1	[redacted]
1300	6	[redacted]	40	44
1400	1	[redacted]	[redacted]	117
Copper (Grade [redacted])	Calls		Puts	
2250	90	[redacted]	8	[redacted]
2350	57	49	45	89
2450	[redacted]	30	[redacted]	159
Coffee	Nov	[redacted]	Nov	Jan
550	24	47	9	11
600	5	19	40	33
650	1	7	86	71
Cocoa	[redacted]	Mar	Dec	[redacted]
700	122	8	5	34
725	[redacted]	74	8	40
750	81	61	14	57
Brent [redacted]	Nov	Dec	Nov	Dec
[redacted]			34	
2000	43		[redacted]	
[redacted]	24		-	

New York

GOLD 100 troy oz.; $/troy oz.				
	[redacted]	Previous	High/Low	
Sep	349.9	351.1	0	0
Oct	350.9	352.1	353.3	350.7
Nov	[redacted]	[redacted]	[redacted]	0
Dec	354.0	356.2	356.4	353.7
Feb	357.1	358.3	357.5	357.3
Apr	360.0	361.2	361.4	[redacted]
Jun	363.0	364.3	362.8	[redacted]
Aug	366.2	367.5	367.5	[redacted]
[redacted]	[redacted]	[redacted]	0	0

PLATINUM 50 troy [redacted] $/troy [redacted]				
	[redacted]	[redacted]	High/Low	
[redacted]	348.8	351.7	351.0	347.5
Jan	353.1	356.1	356.0	351.5
Apr	356.9	[redacted]	359.0	[redacted]
Jul	[redacted]	[redacted]	0	[redacted]
Oct	[redacted]	371.0	0	0

[redacted] troy oz; cents/troy oz.				
	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Oct	[redacted]	405.4	0	[redacted]
Nov	[redacted]	407.5	[redacted]	0
[redacted]	[redacted]	410.0	414.0	[redacted]
Jan	406.2	412.2	0	0
Mar	410.8	418.8	420.0	411.8
May	415.4	421.5	417.5	416.5
[redacted]	419.7	[redacted]	422.5	422.5
[redacted]	[redacted]	[redacted]	0	0
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	[redacted]	[redacted]	High/Low	
Sep	105.65	105.95	[redacted]	[redacted]
Oct	105.75	105.40	105.65	[redacted]
Nov	105.45	105.05	0	[redacted]
Dec	104.90	104.70	105.10	104.30
Jan	104.05	103.80	103.80	103.50
Feb	[redacted]	103.15	103.00	103.00
Mar	[redacted]	102.50	102.60	102.25
Apr	102.20	101.90	0	0
May	[redacted]	[redacted]	101.30	[redacted]
Jun	101.30	[redacted]	0	[redacted]

[redacted] (Light) 42,000 US [redacted]				
	[redacted]	[redacted]	High/Low	
Oct	21.38	21.33	21.54	21.37
Nov	21.38	21.30	21.48	21.35
Dec	21.32	21.27	21.40	[redacted]
Jul	20.65	20.64	20.70	20.65

[redacted] US galls. [redacted]				
	Latest	[redacted]	High/Low	
Oct	6136	6157	6200	[redacted]
Dec	6365	6370	6415	6345
Feb	6265	6280	6300	6250
Mar	6005	6020	0	6005
Jun	5648	5670	5725	[redacted]
[redacted]	[redacted]	5505	5500	5500

[redacted] 10 tonnes;$/tonnes				
	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	1163	0	0
Dec	[redacted]	1204	[redacted]	1182
Mar	1238	1258	1265	[redacted]
May	[redacted]	[redacted]	[redacted]	[redacted]
Jul	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	1318	1331	0	0
[redacted]	[redacted]	1386	1360	1350
[redacted]	[redacted]	1401	0	[redacted]
[redacted]	[redacted]	1425	0	0
[redacted]	1426	1446	0	0

COFFEE "C" 37[redacted]lbs; cents/lbs				
	[redacted]	[redacted]	High/Low	
[redacted]	83.30	[redacted]	[redacted]	[redacted]
Dec	92.50	[redacted]	94.55	92.10
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	99.90	[redacted]
[redacted]	[redacted]	[redacted]	103.[redacted]	103.00
Dec	106.90	106.80	[redacted]	0

[redacted] WORLD "11" [redacted]				
	Close	Previous	High/Low	
[redacted]	[redacted]	9.03	9.16	[redacted]
Mar	[redacted]	[redacted]	8.84	8.57
May	[redacted]	[redacted]	8.76	
Jul	[redacted]	[redacted]	8.75	[redacted]
Oct	[redacted]	[redacted]	[redacted]	8.60

[redacted] 50,000 [redacted]				
	Close	Previous	High/Low	
[redacted]	[redacted]	[redacted]	66.04	65.25
Dec	66.57	68.93	[redacted]	[redacted]
Mar	67.75	69.63	[redacted]	67.60
May	68.45	[redacted]	[redacted]	[redacted]
Jul	[redacted]	66.90	[redacted]	[redacted]
[redacted]	[redacted]	0	67.30	67.30

ORANGE JUICE [redacted]				
	[redacted]	Previous	High/Low	
[redacted]	117.85	[redacted]	118.45	117.60
[redacted]	[redacted]	118.70	[redacted]	[redacted]
[redacted]	118.15	[redacted]	119.40	116.00
Mar	116.80	119.25	119.25	11[redacted]
May	117.65	119.95	118.75	117.60
Jul	117.85	[redacted]	118.80	117.50
[redacted]	117.65	[redacted]	120.30	118.00
[redacted]	117.65	[redacted]	[redacted]	0
Jan	117.65	120.60	0	0

INDICES

REUTERS (Base: September [redacted] = [redacted])			
Sep 10	Sep 9	mnth [redacted]	yr [redacted]
1670.8	[redacted]	[redacted]	[redacted]

DOW JONES (Base: Dec. 31 1974 = 1[redacted])				
	Sep.9	[redacted]	mnth ago	yr ago
[redacted]	[redacted]	117.51	119.07	[redacted]
[redacted]	[redacted]	[redacted]	121.71	132.01

Chicago

[redacted] 5,000 bu min; [redacted] bushel				
	[redacted]	[redacted]	High/Low	
[redacted]	573/0	576/4	575/4	570/4
[redacted]	582/0	[redacted]	586/0	[redacted]
[redacted]	592/4	597/2	[redacted]	[redacted]
Mar	[redacted]	607/6	606/6	[redacted]
May	609/0	614/6	613/0	609/0
Jul	[redacted]	619/6	618/0	613/4
[redacted]	[redacted]	[redacted]	615/0	[redacted]
Sep	589/0	590/0	593/0	589/0
[redacted]	581/6	584/2	585/0	581/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	20.22	20.47	20.40	20.14
Oct	20.23	20.46	20.40	20.19
Dec	20.57	20.77	20.72	20.54
Jan	20.75	20.96	20.89	20.75
Mar	21.06	21.28	21.24	21.07
May	21.31	21.45	21.56	21.31
Jul	21.60	21.68	21.70	21.60
Aug	21.62	21.79	21.75	21.62
Sep	21.62	21.67	21.65	21.62
Oct	21.57	21.67	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	188.1	189.1	189.0	187.6
Oct	185.7	186.8	186.7	185.3
Dec	183.9	185.3	185.0	183.4
Jan	182.7	184.4	184.2	182.1
Mar	181.7	183.0	182.5	181.0
May	180.5	181.5	181.1	179.8
Jul	179.5	180.5	180.8	178.9
Aug	178.7	182.0	180.0	178.5
Sep	178.5	182.0	180.5	178.6

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	245/0	244/6	245/2	243/4
Dec	249/6	250/2	250/4	249/0
Mar	257/4	258/2	258/2	257/0
May	262/0	262/6	263/0	261/6
Jul	264/2	265/6	265/2	264/0
Sep	251/6	252/2	253/2	251/4
Dec	248/4	[redacted]	250/0	248/2

WHEAT 5,000 bu min; [redacted]				
	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	315/2	317/0	314/0
[redacted]	322/6	322/2	323/2	320/2
[redacted]	325/2	[redacted]	325/4	323/2
May	[redacted]	319/4	319/4	317/6
Jul	304/2	306/6	306/2	304/0
[redacted]	312/2	[redacted]	[redacted]	0

LIVE [redacted]				
	[redacted]	[redacted]	[redacted]	
Oct	71.85	71.77	72.17	71.27
[redacted]	[redacted]	[redacted]	75.20	74.40
Feb	72.90	72.70	73.15	72.57
Apr	73.42	73.35	73.72	73.26
Jun	71.35	71.25	71.40	70.90
Aug	69.50	69.55	69.75	69.50
Oct	70.12	0	70.12	70.12

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	45.32	45.30	45.45	44.85
Dec	44.85	45.02	45.20	44.57
Feb	44.22	44.32	44.40	44.05
Apr	42.55	42.60	42.70	42.47
Jun	48.70	48.72	48.70	48.60
Jul	48.85	48.86	48.85	48.70
Aug	45.27	45.27	0	45.15

PORK BELLIES [redacted]				
	[redacted]	[redacted]	High/Low	
Feb	[redacted]	[redacted]	50.10	48.55
Mar	[redacted]	49.60	[redacted]	48.60
May	[redacted]	50.45	50.60	49.45
Jul	50.00	50.30	0	50.00
[redacted]	[redacted]	48.00	48.15	47.50

LONDON [redacted] EXCHANGE

Nervous selling towards the close

By Terry Byland, UK Stock Market Editor

[redacted] PRICES continued to [redacted] London yesterday as the stock [redacted] braced itself for the profits statement, and possible rights issue, from British Aerospace. An attempt to rally from an early fall of nearly 23 points on the FT-SE scale was thwarted by a weak start to the new Wall Street [redacted] emphasised by selling [redacted] Glaxo, the pharmaceutical leader due to report profits today.

Optimism on the economic [redacted] heightened by confi[redacted] comments from Mr John Major, [redacted] UK prime minister, who said that the economy is "back [redacted] course", although [redacted] effects on the market were counter-balanced by his move to cool election speculation. News of a slowdown in producer price momentum joined

Account Dealing Dates		
*First Dealings:		
Sep 2	Sep [redacted]	[redacted] 30
Option Declarations:		
Sep 12	Sep 26	Oct 10
Last Dealings:		
Sep 13	[redacted]	Oct 11
Account Day:		
Sep 23	Oct 7	Oct 21

*New-time dealings may take place [redacted] 8.30[redacted] two business days earlier.

Monday's upward [redacted] of domestic retail sales in buttressing underlying [redacted] in equities. But the market [redacted] to short term factors, and the institutions largely kept [redacted] the way until the current round of rights issue hints and this week's heavy list of corporate results have been unwound.

The FT-SE Index closed 22.4 down at 2,630.8, only just above the day's low point. Trading volume increased to 467.1m shares from Monday's 345.8m. Intra-market business provided [redacted] substantial proportion [redacted] yesterday's deals and the institutions again picked up [redacted] by way of [redacted] placings rather than by competing in [redacted] market; [redacted] block of 7½m shares in British Steel was placed close to the market price and [redacted] in BET were [redacted] placed, with both blocks apparently going into institutional hands.

The contrast between the near peak [redacted] equity market indices and [redacted] still [redacted] levels of trading volume was reflected yesterday in new hints [redacted] senior, well-known name in the [redacted] ing world [redacted] on the brink [redacted] withdrawing from the London market.

British Aerospace stock fell again, although by considerably less than [redacted] Monday when the board warned the City regarding today's profits news. The [redacted] Index was also [redacted] back towards the [redacted] of the session by a heavy set[redacted] in Glaxo. [redacted] sellers hit the pharmaceutical group hard towards the London close, [redacted] Industrial Aver[redacted] down 24 points to below the [redacted] which has proved a stumbling block for US equities [redacted] the past [redacted] months.

However, with the US dollar less [redacted] yesterday, falls in the UK blue chip internationals were mostly small. Oil stocks, despite Wall Street's weakness, [redacted] close with trifling [redacted] day.

Domestic retail and [redacted]sumer [redacted] retained [redacted] the minor gains which greeted the unexpected improvement in domestic retail sales figures announced in the previous session.

Equity strategists continued to express a diversity of views on equities, with [redacted] suggesting that [redacted] may [redacted] less dramatic than [redacted] the past month. Barclays de Zoete Wedd believes that [redacted] in corporate earnings has now begun [redacted] "justify [redacted] premiums that have been paid [redacted] it." The firm [redacted] increased [redacted] earnings [redacted] share growth [redacted]mate for next year from 10 [redacted] to 15 per [redacted].

At [redacted] Govett, Mr Richard Lake still [redacted] the FT-SE Index [redacted] 2,750 in the short term. [redacted] predicts an area [redacted] to [redacted] by Christmas.

FINANCIAL TIMES STOCK INDICES

	Sept 10	Sept [redacted]	Sept 6	Sept [redacted]	Sept 4	Year Ago	1991 High	1991 Low	Since [redacted] High	Since [redacted] [redacted]
[redacted] Secs	[redacted]	[redacted]	[redacted]	86 50	[redacted]	78.52	87.05 [redacted]	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed [redacted]	95.89	95.46	95 34	95 33	95.32	86 47	95.89 (10/9)	90 59 (2/1)	105 4 (28/11/47)	50 53 (3/1/75)
Ordinary [redacted]	2071.9	2085 6	2093 6	2092.5	[redacted]	1651 0	[redacted] (2/9)	[redacted] (16/1)	[redacted] (2/9/91)	[redacted]
Gold Mines	162 8	161 5	162 0	161 0	160 2	191 4	[redacted] (11/7)	127 0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	2144 3	[redacted]	[redacted] (16/1)	[redacted] (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1181 61	1188.60	1195 17	1196 88	1196 20	-	[redacted]	938 62 (16/1)	[redacted]	938 62 (16/1/91)
[redacted] Div Yield	4.61	4 55	4 56	4.55	4.54	5.73				
●Earning Yld %(full)	7 47	7.40	7 37	7 37	7.39	12.09				
●P/E Ratio(Net)(*)	16 71	16 86	[redacted]	16.93	16 88	10 03				
[redacted] Bargns 4.45pm	28,162	[redacted]	[redacted]	28,609	30,161	[redacted]				
Equity Turnover(£m)†	-	[redacted].35	854 14	[redacted]	[redacted]	596 35				
Equity Bargains†	-	31,474	[redacted]	29,107	30,167	15,791				
[redacted] (m)†	-	343.7	415.4	[redacted]	414.0	[redacted]				

[redacted] 100 Govt. S[redacted] 15/10/26, [redacted] 1928, Ordinary 1/7/35, Gold mines [redacted] 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 [redacted] 1000 [redacted]

[redacted]inary Share Index, Hourly cha[redacted] Day's High 2084.9 Day's [redacted] 2070.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2084.9	2076.3	2072 1	[redacted].5	2078.4	2077.7	2077.4	2070 9	2072.7

FT-SE 100, Hourly changes Day's High 2646 1 Day's Low 2630.1

Open	9 am	10 am	11 am	[redacted]	1 pm	2 pm	3 pm	4 pm
2646 1	2636.3	2630.4	2637.9	2638 [redacted]	2638 2	[redacted]	[redacted]	[redacted]

FT-SE [redacted] Hourly changes Day's High [redacted] Day's Low [redacted]

Op[redacted]	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1181.44	1180 97	[redacted]	[redacted]	1182 81	1183 99	1182 33

GILT EDGED ACTIVITY

Indices*	[redacted]	Sept 6
Gilt Edged Bargains	93.2	84.4
5 – Day [redacted]	[redacted]	88.4

*SE Activity 1974.
†Excluding intra-market [redacted] & Overseas turnover.

London report [redacted] latest Share index: Tel. 0898 [redacted]

Selling bout hits Glaxo

PHARMACEUTICALS giant Glaxo saw one of [redacted] sharpest [redacted] among Footsie stocks. The drop of 41 [redacted] 1325p on [redacted] of 2.2m – heavy [redacted] – was prompted by profit-taking in [redacted] market and [redacted] by [redacted] dollar.

There was also [redacted] traders [redacted] been marking [redacted] the [redacted] price in London in [redacted] hope of generating business. This [redacted] coupled with speculation that US securities house Wertheim Schroder had cut its profits forecast [redacted] company.

Dr Jonathan Gelles, of Wertheim, firmly [redacted] rumours. [redacted]: "We [redacted] sold [redacted] some [redacted] but in [redacted] way, shape [redacted] form have we downgraded [redacted] view on Glaxo. Our price target is at the very least £21 [redacted] two years' time."

Mr Didier Cowling of Nomura Research [redacted] had been switching from Glaxo into Fisons (up 9 [redacted] 510p).

Beazer doubts

The [redacted] gave an emphatic thumbs down [redacted] will be the final preliminary results from the Beazer group; today Beazer is scheduled to reveal the pathfinder prospectus for the flotation of C.H. Beazer, comprising the non-US interests of the group that include the highly rated UK housebuilding [redacted].

Beazer's profits figure, £80.6m, was broadly in line with market estimates, but included £14.9m for the release of fair value provision, which perplexed building sector specialists. The market was additionally unsettled by the 4p dividend total when a figure of 5p [redacted] been pencilled in.

The [redacted] price, pushed up [redacted] 100p in recent days as the [redacted] in UK [redacted] focused [redacted] attention on the recovery prospects for housebuilders, fell to 8[redacted]p before stabilising and closing a net 6 off [redacted] 89p. Turnover was 2m shares.

Trafalgar upset

Construction group Trafalgar House made a weak showing after [redacted] least one securities house lowered its profits [redacted]. The [redacted] closed [redacted] on [redacted]

Institutional broker James Capel [redacted] company's full-year profits to £100m from £115m. An analyst at Capel said the downgrade was prompted by concern over the general dullness of the property sector, in which Trafalgar [redacted] involved, [redacted] the group's exposure to Brel, the [redacted] UK railway rolling [redacted].

[redacted] speculation that Hoare [redacted] had [redacted]graded. Mr [redacted] Ireland [redacted] it was unlikely that [redacted] would [redacted] profits of [redacted]. He confirmed, however, that after talking [redacted] Trafalgar [redacted] Monday he had reduced his 1992 fore[redacted] by [redacted].

The shares [redacted] further [redacted] by [redacted] yesterday [redacted] 1m "A" [redacted] by Sir Nigel Broackes, Trafalgar's chairman.

Arjo Wiggins down

Arjo Wiggins Appleton, [redacted] Anglo-French [redacted] group, dropped 17 to 272p after warn[redacted] trading would be difficult in the UK during [redacted]ond half and [redacted] likely to worsen in Europe. At [redacted] shares, turnover [redacted] heavy.

The 4.7 per cent decline in interim profits to £135.5m was in line with most analysts' forecasts, although full-year estimates were shaded down [redacted] the company's warning. Hoare Govett, for example, now expects £250m against £262m.

However, the shares moved off their [redacted] as the [redacted] news [redacted] Arjo was back in talks over the sale of Soporcel, of Portugal, in which it holds a [redacted] per cent [redacted]. The [redacted] in [redacted] operating profit margins from [redacted] per cent to 11.6 [redacted] also provided support.

Speculation that the heavily capitalised [redacted] hold [redacted] market [redacted] be [redacted] by [redacted] Exchange hit [redacted] & Colman. It [redacted] weighting [redacted] changed [redacted] it [redacted] alongside pharmaceuti[redacted] companies [redacted] fell 17 [redacted].

However, after [redacted] Exchange [redacted] yesterday, [redacted] spokesman [redacted] cation would [redacted] Exhange groupings but [redacted] the FT-A indices. There [redacted] talk [redacted] Unilever (up [redacted]) would join one of [redacted] newly [redacted] weighting. This is not the [redacted].

Turnover in British [redacted] 19m as [redacted] shares fol[redacted] the market [redacted] a penny to 121¼p. S.G. Warburg accounted for a large part of [redacted] day's [redacted]. It is believed that the broker bought some [redacted] 118.5p and [redacted] the majority of its purchase [redacted] 119.5p in [redacted] blocks, [redacted] shares and another [redacted] 1.9.

British Aerospace remained in [redacted] doldrums following Monday's profits warning. The [redacted] fell 19 [redacted] 499p at one [redacted]. What [redacted] trader, how[redacted], called "brave bargain hunters" helped [redacted] rally to close [redacted] net 10 off at 508p on turnover of 2.6m as the market [redacted] awaited today's [redacted] and news [redacted] long anticipated [redacted] issue.

Mr Chris Avery at Smith New Court said: "The [redacted] will be hard pushed to come up with explanations [redacted] the bulls have [redacted] run."

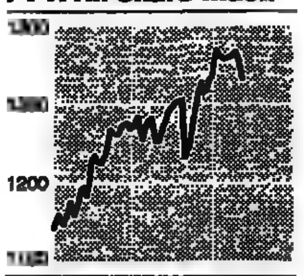
[redacted] Invergordon Distillers added 10 [redacted] of today's interim [redacted] that the [redacted] offer [redacted] Whyte and Mackay may have [redacted] be [redacted]. Analysts expect around £30m interim profits.

[redacted] was heavy two-way trading [redacted] all [redacted] Racal stocks throughout the [redacted] Racal [redacted] changed hands, with [redacted] shares closing 1½ off at 234p. A [redacted] seen in Racal "Special Ex", which ended unaltered on [redacted] at [redacted], having [redacted] from [redacted] mark at which they commenced trading [redacted] last Monday.

Turnover in the "Special Ex" stock [redacted] been consistently heavy since the Stock Exchange [redacted] an official listing prior [redacted] the September 16 demerger of Racal Telecom from [redacted] Electronics.

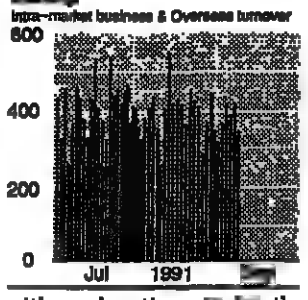
After the demerger Racal Telecom will be [redacted] Vodafone. [redacted] 5 [redacted] 337p, [redacted] by [redacted] by [redacted] Fleming Securities. Mr [redacted] Heyworth [redacted] Fleming said [redacted] facing [redacted] would include regulation [redacted] Oftel, [redacted] telecoms industry watchdog, and from the European Community, intra-European tariff comparisons and increased interna[redacted] competition [redacted] cellular franchises. Fleming acknowledged the possibility [redacted] bid being [redacted] demerger [redacted] number [redacted] available, [redacted] it expects to see [redacted] stock trade below [redacted] in coming [redacted].

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



[redacted] heaviest activity in the insurance area [redacted] market [redacted] in Royals, which fell 7 to 391p [redacted] turnover reached [redacted] unusually large 5.1m shares. The [redacted] depressed, [redacted]ers said, by talk of [redacted] big profits downgrade and [redacted] analysis [redacted] the group's mortgage indemnity [redacted] by one [redacted] leading UK brokerages.

Sun Alliance, [redacted] in the mortgage indemnity business, [redacted] for the [redacted], closing [redacted] 370p, albeit on much thinner turnover of 1.6m. Commercial Union benefited from switching [redacted] Royals and Sun Alliance, firming 2 [redacted] 517p.

BTR was firm [redacted] series [redacted] presentations planned by [redacted] company. The [redacted] improved 2 to [redacted] the morning [redacted] held [redacted] price [redacted] securities house Hoare Govett hosted [redacted] meeting [redacted] than 100 institutional cli[redacted] in London yesterday.

[redacted], pushed down by [redacted] large placing, believed [redacted] with [redacted] institution, of more [redacted] 2m shares [redacted].

[redacted] spinner John Haggas jumped 12 [redacted] 70p [redacted] posting full-year profits more [redacted] £1.8m accompanied by [redacted] confident [redacted].

MARKET REPORTERS:
Peter John, Joel [redacted]
Jim McCallum,
Steve Thompson.

■ Other [redacted], including the [redacted] Indices and [redacted] Options, Page [redacted]

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	[redacted] 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	30	[redacted]	-6	Coats[illegible]	168	135	-1	Lucas	1,400	154	-1	Seeboard	[illegible]	[illegible]	-1
ASDA Group	5,900	[redacted]		Courtaulds	712	487	-2	LIB Caradon	6,300	[illegible]	-8	Severn Trent Water	[illegible]	[illegible]	-7
Abbey National	7,500	[illegible]	-4	Dalgety	114	479	-1	MEPC	575	488	-3	Shell Transport	2,300	[illegible]	-1
Albert Fisher	2,500	[illegible]	-1	De La Rue	142	468	-3	Manweb	483	[illegible]		Siebe	1,200	541	-6
Allied-Lyons	2,100	600	-8	Dixons	880	366	-3	Marks & Spencer	3,200	[illegible]	-3½	Slough Ests	[illegible]	[illegible]	-3
Amstrad	2,100	52½	+1½	ECC Group	45	466		Maxwell Comms	880	183	-3	Smith (W H) A	315	467	
Anglian Water	281	[redacted]	-5	Eastern Elect	768	185	-1	Midland Bank	3,000	250	-4	Smith & Nephew	7,800	135½	-2
Argos	558	330½	+½	East Midland Elect	267	215	-1	Midlands Elect	420	210		SmKl Beecham	1,700	776	-6
Argyll Gr[redacted]	1,700	308	-6	Enterprise Oil	673	617	-2	NFC	05	206		SmKl Beecham Uts	265	3378	-30
Arjo [redacted]	9,700	272	-17	Eurotunnel Units	147	452	-5	NatWest Bank	1,900	350		Smiths Inds	[illegible]	391	-4
Ass Brit Foods	545	509	-1	FKI	3,000	68	-3	National Power	3,200	154	-½	Southern Elect	[illegible]	[illegible]	
[illegible]															
British Gas	3,400	271	-2	Hillsdown	2,100	251	-2	Reed Intl	931	485	-3	Ultramar	943	[illegible]	-3
British Land	314	313	-2	IMI	411	264	-3	Rentokil	1,200	384	+2	Unigate	901	330	-3
BP	5,800	343	-1	ICI	453	1271	-5	Reuters	830	801	-3	Unilever	751	788	+5
British Steel	10,000	121¼	-1	Inchcape	610	380	-2	Rolls Royce	5,000	139	-½	United Biscuits	1,400	395	-2
British Telecom	4,300	392	-1½	Kingfisher	1,000	673	-1	Rothmans	223	1090	-10	Utd Newspapers	656	403	-3
Bunzl	4,600	104		Ladbroke	1,830	280	-1	Ryl Bk Scotland	1,000	186	-2	Wellcome	1,000	718	-12
Burmah Castrol	144	588	-3	Land Securities	842	530	-3	Royal Insurance	5,100	391	-7	Welsh Water	186	394	-7
Burton	4,100	46½	-1½	Laporte	372	580	+1	Saatchi	9,500	16½	+½	Wessex Water	237	389	-1
Cable & Wire	2,600	573	-6	Legal & General	544	456	-4	Sainsbury	1,400	365	-7	Whitbread 'A'	2,300	504	+7
Cadburys	1,100	386	-6	Lloyds Abbey	1,000	430	-5	Scottish & New	814	415	+1	Williams Hldgs.	1,600	362	+2
Calor Group	45	328	-1	Lloyds Bank	2,000	402	-3	Scot. Hydro-Elect	5,000	113		Willis Corroon	1,300	330	-5
Carlton Comms	199	615	-3	LASMO	1,300	317		Scottish Power	5,800	106½	-½	Wimpey	458	180	-2
Coats Viyella	975	183	-1	London Elect	978	216	-2	Sears	1,700	92	-1	Yorkshire Elect	228	242	-1
Comm. Union	1,400	518	+3	Lonrho	948	237	-1	Sedgwick	2,100	261	+1	Yorkshire Water	124	405	+1

Based [redacted] the trading volume [redacted] Alpha [redacted] SEAQ system yesterday until 4.30pm. Trades of one million or more [redacted]

EQUITY FUTURES AND OPTIONS TRADING

MUCH OF the equity futures' lead over the stock market evaporated yesterday as nervousness about the [redacted] political scene and a poor performance by Wall Street [redacted] the market, writes Jim McCallum.

The September [redacted] index contract fell faster than [redacted] index and by the [redacted] its premium had [redacted] to just [redacted] points against a [redacted] 20 [redacted] in the [redacted].

With [redacted] calculated [redacted] 10 points [redacted] futures market [redacted] currently not signalling [redacted] gains by [redacted] stock market [redacted] the end of [redacted] month.

This is partly [redacted] for by [redacted] unwinding of large share [redacted] hedged in the futures market - with investors [redacted] and [redacted]. But [redacted] was also unease [redacted] the [redacted] recent strong gains.

The [redacted] FT-SE closed at 2,642.5, down 29 points on the day.

In the traded options market, dealing levels picked up slightly, with BP leading [redacted] way. The larger [redacted] included the sale [redacted] 3,000 [redacted] puts and the purchase of over [redacted] January 390 calls.

Sears December [redacted] and 80 calls were [redacted]. A buyer [redacted] Rolls-Royce December 140 calls and 300 [redacted] calls also lifted turnover.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" [redacted] up to Five [redacted]						
100⅛	99⅛	Exch. 11pc 1991	100⅛	+1/16	10 99	10.20
99⅛	96½	Treas. 8pc 1991	99⅛		8.05	[illegible]
101½	100⅛	Treas 12¾pc 1992‡‡	100⅞		12.64	[illegible]
100⅛	97⅛	Treas 10pc 1992	99⅞	-⅛	10.00	[illegible]
132⅛	125⅞	Treas. 2pc IL 1992‡‡	132⅛xd	+⅛	2.00	[illegible]
99⅛	95⅛	Treas. 8pc 1992 ‡‡	99⅛xd		8 07	[illegible]
100⅛	98½	Treas 10½pc Cv 1992‡‡	100⅛	-⅛	10.46	[illegible]
96⅛	91⅛	Treas. 3pc 1992	96⅛	+⅛	3.11	[illegible]
102⅞	100⅝	Exch. 12¼pc '92	102⅞		11.99	[illegible]
104⅛	102⅛	Exch 13½pc 1992	103⅝xd		13 03	[illegible]
98⅛	94	Treas 8¾pc 1993	98⅛		8.40	[illegible]
100⅝	97⅛	Treas 10pc 1993‡‡	100⅝xd		9 94	[illegible]
104⅛	102⅝	Treas 12½pc 1993‡‡	104⅛		11.95	[illegible]
94⅛	89⅝	Funding 6pc 1993‡‡	94⅛xd		6 35	[illegible]
108⅛	105⅝	Treas 13¾pc 1993‡‡	107⅛	+⅛	12.76	[illegible]
97⅛	92⅛	Treas. 8½pc 1994	97⅛	+⅛	8.70	[illegible]
111⅝	108⅛	Treas 14½pc 1994‡‡	110⅝	+⅛	13 11	[illegible]
109	105⅛	Exch 13½pc 1994	108⅛	+⅛	12.42	[illegible]
100⅛	96⅛	Treas. 10pc Ln 1994‡‡	100⅛	+⅛	9 91	[illegible]
107	103⅝	Exch. 12¼pc 1994	107	+⅛	11.68	[illegible]
98⅝	93⅛	Treas 9pc 1994‡‡	98⅛	+⅛	9.15	[illegible]
106⅝	102⅛	Treas 12pc 1995	106⅝	+⅛	11.25	[illegible]
89	82⅛	Exch 3pc Gas 90–95	86⅛	+⅛	3.46	[illegible]
102	96⅛	Exch. 10¼pc 1995	102	+⅛	10 05	[illegible]
110⅛	105⅞	Treas 12¾pc 1995‡‡	110⅛	+⅛	11.56	[illegible]
114⅛	109⅛	Treas. 14pc '96	114⅛	+⅛	12 28	[illegible]
98⅛	92⅛	Treas. 9pc 1992–96‡‡	98⅛xd	+⅛	9.13	[illegible]
119⅛	115⅛	Treas 15¼pc 1996‡‡	119⅛	+⅛	12.77	[illegible]
112⅛	108	Exch 13¼pc 1996‡‡	112⅛	+⅛	11 79	[illegible]
Five [redacted] Fifteen [redacted]						
101⅛	95⅛	Conversion 10pc 19[illegible]	101⅛	+[illegible]	9.8[illegible]	[illegible]
101⅛	97⅛	Do. 10pc 1996 B	101⅛	+[illegible]	10.11	[illegible]
113⅛	108⅛	Treas 13¼pc 1997‡‡	113⅛	+[illegible]	11 63	[illegible]
103⅛	97⅛	Exch 10½pc 1997	103⅛	+[illegible]	10.15	[illegible]
96⅛	89⅛	Treas 8¾pc 1997‡‡	96⅛	+[illegible]	9.09	[illegible]
122⅝	117	Exch 15pc 1997	122⅛	+⅛	12 24	[illegible]
100⅛	93⅛	Exch. 9¾pc 1998	100⅛	+⅛	9.72	[illegible]
88⅛	80⅝	Treas 6¾pc 1995–98‡‡	88⅛	+⅛	7.66	[illegible]
128⅛	121⅛	Treas. 15½pc '98‡‡	127⅛xd	+⅛	12.11	[illegible]
111⅛	104⅛	Exch. 12pc 1998	111⅛	+⅛	10.80	[illegible]
99⅛	92⅛	Treas 9½pc 1999	99⅛	+⅛	9 54	[illegible]
112⅛	105⅛	Exch. 12¼pc 1999	112⅛xd	+⅛	10.86	[illegible]
104⅛	97⅛	Treas. 10½pc 1999	104⅛	+⅛	10 09	[illegible]
102⅛	95⅛	Conversion 10¼pc 1999	102⅛	+⅛	9.98	[illegible]
96⅛	89⅝	Conversion 9pc 2000‡‡	96⅛	-⅛	9.31	[illegible]
117⅛	110⅛	Treas. 13pc 2000	117⅛	+⅛	11.04	[illegible]
101⅛	94⅛	Treas 10pc 2001	101⅛		9.82	[illegible]
119⅛	113⅛	Treas. 14pc '98–01	119	+⅛	11.75	[illegible]
100⅛	92⅛	Treas 9¾pc 2002	100	+⅛	9.73	[illegible]

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[redacted]	94⅛	Treas 10pc 2003	102½	+⅛	9.79	9.71
[redacted]	102	Treas 11½pc 2001–04	109⅛xd	+⅛	10.48	9.91
61⅛	53⅛	Funding 3½pc '99–04	61	+⅛	5.74	8.58
98⅛	90⅛	Conversion 9½pc 2004	98⅛	+⅛	9.62	9.67
99⅛	90⅛	Conversion 9½pc 2005	98⅛		9.61	9.66
[illegible]						

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
106⅛	95⅝	African Dv Bk 11¼ Ln 2010	106⅛	+⅛	10.48	10.36
101⅛	91⅞	Asian Dev Bk 10¼pc Ln 2009	101⅛	+⅛	10 14	10.11
114⅞	105⅛	Int-Am Dev Bk 12½pc 2003	114⅞	+⅛	10.92	10.29
95⅛	86⅞	Do. 9½pc Ln 2015	95⅛	+⅛	10 20	[redacted]
124⅛	101	[illegible]	124⅛		13.25	[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building [redacted]

[illegible]

Public [redacted] Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued [redacted] next page

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (1[illegible]).
BRITISH FUNDS [redacted] Ex 11pc 1991, Tr 2pc I-L 1992, Tr 3pc [redacted], Tr 8½pc 1994, Tr 10pc 1994, Ex 12½pc [redacted], Tr 9pc 1994, Tr 12pc 1995, Ex 10¼pc [redacted] 12¾pc 1995, Tr 14pc 1996, Tr 9pc [redacted]92-96, Ex 13¼pc 1996, Conv 10pc 1996, [redacted] 10pc 1996 B, Tr 13¼pc 1997, [redacted] 10½pc [redacted] Tr 8¾pc 1997, Ex 15pc 1997, [redacted] 9¾pc [redacted] Tr [redacted]pc 1995-98, Tr 15½[redacted], Ex 12pc 1998, Tr 9½pc 1999, Ex [redacted] Tr 10½pc 1999, Conv 10¼pc 1999, Conv 9pc 2000, Tr 10pc 2001, Tr 14pc 1998-2001, Tr 9¾pc 2002, Tr 10pc 2003, Tr 11½pc 2001-04, Fd 3½pc 1999-2004, Conv 9½pc 200[illegible] ... [illegible] ... INT. BANK [illegible] (4) African [illegible] Bk. 10¼pc [illegible] 2003, Do. 9¾pc 2015, CORPORATION LOANS (3) Birmingham 11½pc 2012, Liverpool 3½pc Irrd., Manchester 11½pc 2007, LOANS (2) N'wide. Ang 3⅞pc 2021, Do. 4¼pc 2024, FOREIGN [redacted] Hydro Quebec 15pc 2011, AMERICANS (1) Data Gen., BREWERS (3) Greene King, Invergordon Dists., Mansfield, BUILDINGS (5) Brit. Dredging, Newman-Tonks, Polypipe, Raine Inds., CHEMICALS (4) Cambridge Isotope, Porvair, Rentokil, Wentworth, STORES (10) Alexon, Ashley (Laura), Caskel, Dewhirst, Dunhill, Forminster, Harlstone, Liberty N/V, Menzies (J), Specialeyes, ELECTRICALS (4) Domino Printing, GN Gt. Nordic, Macro 4, Microfilm Reprographics, ENGINEERING (5) Adwest, Allas Conv Equipment, Fairey, McKechnie, Powerscreen, Westland, FOODS (5) Dalepak, Everest, Hazlewood, Northern, Watson & Philip, INDUSTRIALS (21) Assoc. Brit. Ports, Avon Rubber, Bodycote, Calderburn, Diploma, EIS, Hunting Tech., Johnson Cleaners, Lionheart, Maclarens, Mayborn, [illegible] ... (3) CALA, Conder, Shorco, STORES (1) Clinton Cards, ELECTRICALS (1) Applied Holographics, HOTELS (1) Savoy A, INDUSTRIALS (7) Brit. Aerospace, Clayhithe, Dean & Bowes, Melville, Oriflame, Select Appts., Tamaris 8½pc Pf., PROPERTY (2) Cap. & Counties 5¾pc Pf., Hanover Druce, TEXTILES (1) Gaskell, TRUSTS (5) Korea Liberal Warrants, Malaysian Emrg. Wrnts. Co's. Fd., Nat. Home Loans, Do. 7½pc Pf., South America Fd., OILS (4) Brabant Res., Goal Pet., Great Western Res. A, Pict. Pet.

APPOINTMENTS

Financial controller for BICC

■ Mr Roy McGlone *(pictured)* will be joining BICC, the international cables and [redacted] group, as financial controller next Monday.

Mr McGlone, [redacted] chartered [redacted] and member of the Association of Corpora[redacted] Treasurers, is currently group controller of Peek.

■ ROCKWARE PLASTICS, a leading UK plastic packaging manufacturer for toiletries, cosmetics and perfumery which is part of Rockware Group, has appointed Mr Peter Harling as sales and marketing director.

Mr Harling joins Rockware from Doctus Consulting Europe, where he was business development director. He has much knowledge of the toiletries industry, having previously held positions at Avon Cosmetic and Unilever.

■ Mr Tony Quick is to fill the new position of international sales and marketing director for FIELD AIRCRAFT and METAIR AIRCRAFT, which are part of the aviation division of the HUNTING group.

Mr Quick was sales and commercial general manager for BP's UK advanced materials operation.

■ FIMAT INTERNATIONAL SA, the [redacted] broking subsidiary [redacted] Société [redacted] has appointed Mr Brian Kaye as director with responsibility for Europe outside France.

Mr Kaye, former treasurer of Société Générale Tokyo, has also been named managing director of FIMAT Futures UK, and will be based in London.

■ INDEPENDENT MORTGAGE ASSOCIATES [redacted] appointed [redacted] to the board: Mr Robert Taylor as non-executive chairman; Mr Stuart Atkinson as managing director; and Mr John Barkshire, Mr Peter Bassnett and Mr Geoffrey Harrison-Dees as non-executive directors.

Mr Charles Day becomes financial director and company secretary, Mr Jeremy Dummett marketing director and Mr Peter B. Smith [redacted] director.

Mr Taylor has held senior [redacted] positions in life assurance and investment, at Target Life and most recently with N.M. Schroder. Mr Atkinson has senior management experience within the insurance and finance industries, gained at Legal [redacted] and Lloyds Bowmaker.

■ RANKS HOVIS MCDOUGALL INGREDIENTS, [redacted] seasonings, coatings, flavours and texturisers, has named Mr Geoff Neal commercial director.

Mr Neal became commercial manager [redacted], and [redacted] was chief [redacted].

■ Mr Richard Piper *(pictured)* has been elected [redacted] the NATIONAL [redacted] OF WAREHOUSE KEEPERS [redacted] the year 1991/92. He succeeds Mr David Mackenzie, of Midlands Storage, part of Transport Development Group.

Mr Pi[redacted] is managing [redacted] G. Page, of Greenwich, specialists in [redacted] storage of newsprint and porcelain, and was chairman of the London region [redacted] in [redacted] period 1984-91.

■ Mr Matthew [redacted] is [redacted] newly formed [redacted] Trading Group [redacted] INTERNATIONAL, the capital [redacted] arm [redacted] the Japanese Tokai Bank. [redacted] will be responsible [redacted] building a team [redacted] trade in across-the-board, multi-currency and multi-product instruments.

Mr Wilson was with [redacted] First Boston for five [redacted], serving as a director in the [redacted] sales group.

■ HARTSTONE GROUP, the [redacted] leathergoods and hosiery distribution specialist, has appointed Mr Shaun Dowling [redacted] Mr John Padovan [redacted] non-executive directors.

Mr Dowling [redacted] an [redacted] director [redacted] Guinness. Mr Padovan retired as deputy chairman of Barclays de Zoete Wedd [redacted] chairman [redacted] Zoete and [redacted] last month but [redacted] a corporate [redacted]. Prior [redacted] joining BZW in 1986 he was deputy [redacted] Hambros, and [redacted] that [redacted] executive [redacted] County Bank. Mr Padovan is also a non-executive director of Tesco.

Reflecting [redacted] widening responsibilities, Mr Alan [redacted] executive [redacted] Hartstone's continental European leathergoods division.

COMPANY NOTICES

HOECHST AKTIENGESELLSCHAFT
United Kingdom shareholders [redacted] copies [redacted] the report on [redacted] half-year 1991 [redacted] now [redacted] from:- [redacted] Warburg & Co. Ltd, Paying Agency, 2 Finsbury [redacted] EC2M [redacted]

THE ROYAL BANK OF [redacted]
U.S. [redacted] Floating Rate Notes due 2005
NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 12th September, 1991, [redacted] will bear [redacted] at the rate of 5⅝% per annum. The Interest payable on the [redacted] December, 1991 [redacted] Coupon No. 23 will [redacted] per U.S. $1,000 nominal.
Agent Bank
[redacted] EUROPE LIMITED

OBITUARY

David Wilson Beattie There will be a memorial service for David Wilson Beattie at the Church of St Margaret, Lothbury, London EC2 on Friday 27 September at 11:00 a.m.

ART GALLERIES

MARLBOROUGH [illegible] 14 September [redacted] Mon-Fri 10-5.30 Sat [illegible] Tel: [redacted]

CLUBS

EVE has outlived others due to policy of fair play and value for money. Supper from 10-3.30 am. [illegible] cabaret. 189 [redacted] W1 [illegible]

PERSONAL

PUBLIC SPEAKING Training and speechwriting by award winning [redacted] First lesson free. Tel:(0727) 861[illegible]

LONDON SHARE SERVICE

■ [illegible] Share [illegible] are [illegible] on FT Cityline. [illegible] charged at 36p/minute cheap rate and 48p/minute at all [illegible]. To obtain your [illegible] Share Code [illegible] ring 071-925-2128

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20¾	Abbott Laboratories	31½	–⅛	$1.00	–	1.9
385p	257p	♥Allegheny & W 1c	302p	+5	30c	–	5.9
10⅛	667p	Amdahl 5c	888p	+3	10c	–	0.7
42⅛	25⅝	Amer. Cyanamid $5	36⅛	–⅛	$1.50	–	2.5
17⅞	9[illegible]	Amer. Express 60c	15[illegible]	–⅛	92c	–	3.6
24½	15¼	American T. & T. $1	22[illegible]	–[illegible]	$1.32	–	3.5
38⅞	32½	Ameritech $1	36⅛	+¼	$3.40	–	5.6
26	12[illegible]	BankAmerica $1[illegible]	24[illegible]	+[illegible]	$1.20	–	2.9
35⅝	20[illegible]	Bankers N.Y. $1	33[illegible]	–⅛	$1.52	–	8.6
30½	24¼	Bell Atlantic $1	28[illegible]	–⅛	$2.52	–	5.3
31¼	25	BellSouth Corp	28⅝	–⅛	$2.76	–	5.7
11¼	6[illegible]	♥Bethlehem Steel $8	10[illegible]	–⅛	40c	–	2.3
1839p	1046p	Bowater Inc.	1500p	–15	$1.20	–	4.7
54[illegible]	37[illegible]	CPC Intnl. 25c	52[illegible]	–[illegible]	$2.00	–	2.2
930p	420p	California Engy.	904p	–25	–	–	–
50	28¼	Campbell Soup 15c	44[illegible]	–1¼	$1.16	–	1.5
12¼	5[illegible]	Chase Manhattan $12½	11[illegible]	–¼	$1.20	–	6.3
9[illegible]	5½	Chrysler $6¼	6[illegible]	–⅛	60c	–	5.4
10⅝	5[illegible]	Citicorp $1	8[illegible]	–[illegible]	$1.00	–	7.0
25	21[illegible]	Colgate-Palmolive $1	23[illegible]	–[illegible]	$1.06	–	2.7
928p	438p	Cont'l Bank Corp $4	685p	–4	60c	–	5.2
21⅝	13[illegible]	Dana Corp $1	17[illegible]	+[illegible]	$1.60	–	5.3
1190p	203p	Data General	1190p	+8	–	–	–
22⅛	12⅞	Dial Crop $1.5	20[illegible]	–[illegible]	$1.40	–	4.0
29⅝	20⅛	Dun & Bradstreet $1	25[illegible]	+⅛	$2.16	–	4.9
40	24¼	Eaton Corpn 50c	36[illegible]	–[illegible]	$2.20	–	–
8½	5½	Echlin Inc.	7[illegible]		70c	–	5.4
20⅛	14[illegible]	FPL Group 1c	18[illegible]	–[illegible]	$2.40	–	7.5
30[illegible]	17[illegible]	Fluor Corp 62½c	25[illegible]	–[illegible]	32c	–	0.7
23¼	13⅛	Ford Motor $1	17[illegible]	+[illegible]	$1.60	–	3.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

مكتبة الأمين العام

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
[illegible] Not officially listed.
[illegible] Price at time of suspension
[illegible] Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
◆ Merger bid or reorganisation in progress
◆ Not comparable
◆ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend, cover based on earnings updated by latest interim statement.
† Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
§ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‡ No par value

B.Fr. Belgian Francs. Fr. French Francs ●● Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed W Pro forma figures. Z Dividend total to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	[illegible]	640	.....
Finlay Pkg 5p	[illegible]	28	.....
Holt (Jos) 25p	[illegible]	1973	.....
Helton Hldgs	v	45xd	+2
IRG		130	.....
United Drug		180	+2

IRISH

Exp. 8½% Ln. 2010	£94½	.....
9pc Cap Ln 1996	£98½	.....
Fin. 13% 97/02	£114	.....
Arnotts	180	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	27
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	25
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	40
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

Commercial Union Tst Mgrs – Contd.

GA Unit Trust Mngrs Ltd (1000)H
PO Box 237, York YO1 1LA 0345 581066

*C.A.R. – Compound Annual Rate

Kleinwort Benson Unit Trusts (1400)F

Marks & Spencer Unit Trust Mgt Ltd (1200)F

Murray Johnstone UT Mgmt (1000)H

Rothschild Fund Management – Contd.

Confederation Funds Mngt Ltd (1200)F

GT Unit Managers Ltd (1200)H

Marlborough Fund Managers Ltd (1630)F

Martin Currie Unit Trusts Ltd (0905)H

Maiden Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3 031 226 6066
Maiden General ......0 118.1 121.1 ..... 5.47

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818
Exempt Unit Tst .....4 120.38 120.38 127.92 -0.73 2.60
Exempt Smlr Cos ... 3¼ 239.34 239.34 258.62 +1.13 1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

SIB Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	301.2	301.2	321.5	-7.4	1.30
(Accum Units) ♥	5	352.4	352.4	376.1	-6.7	1.30
British	5	817.9	817.9	865.3	....	3.53
(Accum Units)	5	1343.8	1343.8	1421.6	....	3.53
European	5	327.5	327.5	348.7	....	1.50
(Accum Units)	5	351.0	351.0	373.8	....	1.50
Japan	5	111.4	111.4	118.4	-1.2	-
(Accum Units)	5	112.2	112.2	119.3	-1.2	-
New Pacific	5	168.3	168.3	178.8	-1.6	1.99
(Accum Units)	5	172.8	172.8	183.6	-1.6	1.99
PEP Sept 4	5	141.4	143.9xd	152.3	....	3.65
Mngd Equity	5	124.6	126.4	133.8	-0.4	3.46
Mngd Equity Acc	5	132.2	134.1	142.0	-0.4	3.46
Mngd Cash	5	96.87	96.87	99.77	+0.02	10.57
(Accum Units)	5	114.8	114.8	118.2	+0.02	10.57
Mngd Fixed Int Acc Aug 28	5	121.1	121.1	128.1	....	6.87
Majority Stkg	1	100.90	100.90	101.90	+0.02	10.39
Majority Stkg Acc	1	105.84	105.84	106.89	+0.02	10.39
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
International Aug 30	0	51.74	51.74	52.31	....	3.40
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	620.9	620.9	664.1	-9.6	3.04
North America	6	77.17	77.17	82.53	-0.65	1.03
Far East	6	88.43	[illegible]	95.56	-0.74	2.04
W'wide Bond	6	47.52	[illegible]	50.55	+0.10	6.15
European	6	66.29	[illegible]	70.90	-0.04	1.33
Equity Income	6	72.52	[illegible]	77[illegible]	-0.19	5.54
Portfolio	6	58.26	[illegible]	62[illegible]	-0.24	2.38
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basing View, Basingstoke, Hants 0800 525725						
American Growth	6	26.08	26.08xd	27.90	(2)	0.39
Managed Assets	6	105.52	106.18	113.57	(a)	3.69
UK Income	6	34.08	34.59	37.00	(2)	4.33
UK Growth	6	33.84	34.24	36.63	(a)	3.02
Worldwide Growth	6	24.43	24.43	26.13	(a)	0.82
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq. 071-606 4044 Dealing: 071-606 6010						
Master Portfolio	5¼	34.80	[illegible]	37.22	-0.22	1.34
Amer Growth Acc	5¼	43.81	[illegible]	46.86	-0.53	0.22
Cap Protector Acc	5¼	36.13	[illegible]	38.64	-0.07	4.31
Cap Protector Inc	5¼	32.45	32.45	34.71	-0.05	4.31
Euro Growth Acc	5¼	58.64	58.64	62.57	-0.08	0.87
Far East Gwth Acc	5¼	76.08	76.08	81.37	-0.47	0.80
Japan Growth Acc	5¼	91.57	91.57	97.61	-1.26	0.00
UK Growth Acc	5¼	57.81	57.81	61.83	-0.47	2.73
UK Income Acc	5¼	62.29	62.29	66.62	-0.26	4.32
UK Income Inc	5¼	48.44	48[illegible]	51.81	-0.20	4.32
[illegible]	5¼	26.39	26[illegible]	28.25	-0.03	5.32
[illegible]	5¼	27.21	27[illegible]	29.14	-0.02	5.32

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Sep 5	513.59	517.59	-	2.37
Gross Sep 5	189.38	190.84	-	10.32
High Yield Sep 5	299.73	302.14	-	7.26
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	54.6	55.7	-0.33	3.61
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1181	1274	-	-
Mngd Pens (Acc)	71.2	75.9	-	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2600.0	-	6.06
Inc Gth Prp Apr 16	£1325.0	1400.0	-	7.20
Lazard Investors Ltd ##				
Exempt Funds				
Small Co's Sept 5	£3671.7	3846.2	-	[illegible]
European Sept 5	£542.5	548.2	-	[illegible]
American Sept 5	£369.2	373.2	-	[illegible]
Japan Sept 5	£495.7	505.6	-	[illegible]
Pacific Sept 5	£142.8	146.1	-	[illegible]
W Midlands Aug 30	£144.50	161.30	-	[illegible]
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Aug 31	[illegible]	[illegible]	-	7.38
Equity Aug 31	[illegible]	[illegible]	-	4.10
* Available only [illegible]				
M & G Securities Ltd				
Charibond Sept 9		103.02	+0.7	[illegible]
(Accum Units)		591.97	+3.9	[illegible]
NAACIF Sept 3		45.30	-	[illegible]
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Sept 10	133.2	142.8	-0.9	[illegible]
UK Small Co † Sept 10	521.8	562.9	+15.1	[illegible]
Fixed Interest † Sept 10	120.4	116.2	+0.7	[illegible]
US Small Co Sept 10	167.4	179.0	-5.5	[illegible]
Managed Sept 10	110.3	117.4	-0.8	[illegible]
Intl Bond Sept 10	[illegible]	124.9	+0.5	[illegible]
Japan Sept 10	71.14	76.10	-0.88	[illegible]
European Sept 10	87.96	94.17	-0.27	[illegible]
Nth American Sept 10	109.6	117.9	-6.0	[illegible]
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 4	54.73	[illegible]	-	1.83
Euro Expt Sept 4	51.65	[illegible]	-	2.06
Fixed Int Ex Sept 4	46.83	[illegible]	-	10.08
Japan Expt Sept 4	45.36	[illegible]	-	1.14
Managed Ex Sept 5	47.38	[illegible]	-	4.25
[illegible] Asia Expt Sept 4	74.50	[illegible]	-	3.30

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound little moved

THE DOLLAR finished little changed in London foreign exchange trading yesterday, while maintaining a soft undertone. It fell to a low [illegible] DM1.6875, but rallied after climbing back through DM1.6900 in a technical reaction [illegible] the selling seen [illegible] Monday and last Friday.

In the second quarter of the year the [illegible] current [illegible] surplus narrowed to $2.97bn from a [illegible] $10.50bn in [illegible] first quarter, but this was widely expected. A high figure for the first quarter [illegible] largely the [illegible] payments [illegible] allies to defray US [illegible] in the Gulf [illegible] Payments fell during the second quarter, [illegible] figures showed the first consecutive quarterly surpluses since 1982.

This [illegible] was not expected to produce any fundamental movement in the dollar how[illegible] with the market waiting [illegible] whether this week's inflation news encourages the Federal Reserve to ease [illegible] monetary policy. [illegible] producer prices for August will [illegible] published tomorrow, followed by consumer prices on Friday.

[illegible] expected the Fed [illegible] to the New York banking system yesterday, via $2.5bn of customer repurchase agreements, but this [illegible] technical move and [illegible] not signal an easing of policy.

[illegible] the London close the dollar [illegible] to DM1.6945 from DM1.6955; to Y134.80 from Y134.90; to SFr1.4800 from SFr1.4890; and to FFr5.7600 from FFr5.7650. [illegible] index fell [illegible] from 65.4.

Sterling showed little overall movement, but [illegible] vulnerable [illegible] political and interest rate factors. Dealers pointed out that another cut of ½ point in UK bank [illegible] rates [illegible] bring levels down to not far above equivalent German rates.

This [illegible] be acceptable in [illegible] of an early [illegible] general election, if it [illegible] the [illegible] the ruling Conservative party in opinion polls. But if there is not [illegible] election until next year the market [illegible] likely [illegible] grow increasingly nervous about the political risk in holding sterling [illegible] time when there [illegible] little interest rate premium.

Wholesale interest rates [illegible] firmer in London yesterday despite good UK producer prices. A fall of 1.6 per cent in August input prices was much bigger than the expected drop of about [illegible] per cent, while output prices [illegible] a [illegible] 0.1 per cent. Friday's retail price index for August is also expected to show a significant improvement in the inflation picture.

Sterling finished unchanged at $1.7300 and DM2.9325, but fell to FFr9.9650 from FFr9.9725; to [illegible] from SFr2.5750; and [illegible] from [illegible] The pound's [illegible] lost 0.2 to 91.3.

In the European exchange [illegible] mechanism sterling fell [illegible] third from fourth [illegible] currency [illegible] only [illegible] the [illegible] placed French franc, compared [illegible] per cent on Monday. [illegible] D-Mark finished in the [illegible] of the ERM, [illegible] moving [illegible] third strongest in late trading on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.478	-3.86	5.27	67
Belgian Franc	42.4032	42.2717	-0.31	1.52	20
Dutch Guilder	2.31643	2.31120	-0.23	1.44	16
Italian Lira	1538.24	1534.78	-0.22	1.44	16
D-Mark	2.05586	2.05139	-0.22	1.43	20
Irish Punt	0.767417	0.767613	0.03	1.18	3
Sterling	0.696904	0.698462	0.22	0.98	-5
Danish Krone	7.84195	7.92234	1.03	0.18	-42
French Franc	6.89509	6.97833	1.21	0.00	-61

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; [illegible] change denotes a weak currency. Divergence shows the ratio between two spreads: the [illegible] difference between the actual market and Ecu central rates for a currency, and the maximum permitted [illegible] deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial [illegible]

£ IN NEW YORK

Sep 10	Latest	Previous Close
£ Spot	1.7305-1.7315	1.7315-1.7325
1 month	0.75-0.73cm	0.66-0.65pm
3 months	1.94-1.91pm	1.88-1.85pm
12 months	6.38-6.48pm	6.36-6.26pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

* Selling rate.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7280 - 1.7350	1.7295 - 1.7305	0.76-0.74cpm	5.20	1.94-1.91pm	4.45
Canada	1.9690 - 1.9775	1.9705 - 1.9715	0.37-0.31cpm	2.07	0.63-0.53pm	1.18
Netherlands	3.2975 - 3.3100	3.2975 - 3.3075	[illegible]	1.14	[illegible]	0.76
Belgium	60.25 - 62.10	60.50 - 60.60	7-4cpm	1.09	20-12pm	1.06

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000. French Fr. per 10; Lira per 1,000; [illegible]

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

BASE LENDING RATES

	%		%		%
Berliner Bank	11	● Hambros Bank	10.5	● United Bk of Kuwait	[illegible]
Brit Bk of Mid East	10.5	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	Heritable & Gen Inv Bank	10.5	Western Trust	10.5
CL Bank Nederland	10.5	● Hill Samuel	10.5	Westpac Bank Corp	10.5
Citibank NA	11	C. Hoare & Co	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
		Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

POUND - DOLLAR

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MONEY MARKETS

London rates firmer

THERE [illegible] a slight firming of wholesale interest rates in London yesterday as sterling traded nervously against the D-Mark [illegible] speculation faded [illegible] a UK general [illegible] in November.

A surprisingly large fall in August UK producer prices encouraged hopes of another [illegible] in bank [illegible] rates, but had little impact on wholesale [illegible]

Three-month sterling interbank rose [illegible] 10¼-10⅛ from 10$\frac{3}{16}$-10$\frac{1}{16}$ per [illegible] and 12-month money was quoted [illegible] 10⅛-10 compared with 10$\frac{1}{16}$-10 per cent.

Short sterling futures opened weaker on Liffe, but [illegible] towards the top of [illegible] day's range, supported by the producer price index. December delivery [illegible] to 90.27 [illegible] 90.25 in quieter trading than of [illegible]

Day-to-day credit remained in fairly short supply on the London money market. The Bank of England initially forecast a shortage of £950m, but revised [illegible] to £1,000m [illegible] and back to £950m in [illegible] afternoon. Total help of [illegible] was provided.

[illegible] lunch the authorities bought £191m bills outright, by way of £71m bank bills in band 1 [illegible] 10⅝ per cent and £120m bank bills in band 2 at [illegible] per cent. In [illegible] afternoon another £626m bills [illegible] purchased outright, via [illegible] Treasury bills in band 1 at 10⅝ per cent; £457m bank bills in band 1 at [illegible] per cent; and £165m bank bills in band [illegible] 10⅝ per cent. [illegible] assistance of around £120m was [illegible] provided.

Bills maturing in [illegible] hands, repayment [illegible] assistance and a take-up of Treasury bills drained £149m, with [illegible] unwinding of repurchase agreements on bills absorbing £1,041m. These outweighed exchequer [illegible] adding [illegible] liquidity, a fall in [illegible] circulation of [illegible] and bank [illegible] above target [illegible] £15m.

In Frankfurt call money was unchanged at 9.10 per [illegible] ahead of the result [illegible] week's securities repurchase agreement tender. The Bundesbank [illegible] 28-day funds [illegible] variable bid [illegible] replace a 35-day facility worth DM25.0bn expiring today. [illegible] conditions [illegible] expected [illegible] tighten soon as seasonal [illegible] payments draw liquidity out of the banking system.

In [illegible] the Dutch Central [illegible] a [illegible] Fl [illegible] a tender for six-day special advances. The central bank allocated Fl 3.60bn, [illegible] unchanged 9.00 per cent, [illegible] replace an expiring seven-day pact of Fl 3.48bn.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK

LONDON MONEY RATES

JOTTER PAD

CROSSWORD

No.7,643 Set by CINEPHILE

Across solutions are in, not far away (18 is part of one)

ACROSS
1 Golden sovereign gets money back (6)
4 Fools, we hear (8)
9 Love among paying passengers (6)
10 Unpleasant sneer in fallow (8)
12 Stops for ever (8)
13 Hairs twisted round [illegible] Tweed (6)
15 Painter on pole (4)
16 Cinephile comes down [illegible] earth again (7)
20 Common [illegible] some rituals [illegible]
21 Just a beautiful blonde? (4)
25 Scots nobleman [illegible] junction (6)
26 Marshal following tree (8)
28 Complement of female grooms? (8)
29 The cow that's [illegible] jumper? (6)
30 Pony from Athens with small load [illegible]
31 What isn't [illegible] .... (6)

DOWN
1 Refuse to include first century one as correct (8)
2 ASSR makes lake with rain (8)
3 Players retire from river with 'orse and 'ounds (6)
5 Hard-hitting group (4)
6 French girl gets cross (8)
7 Fill space in this month with sovereign (6)
8 Most artful of various styles (6)
11 Hurried up at speed to give account (7)
14 Small company yells madly — is that the way to be guarded? (7)
17 Radiotelephony having outside antenna with plenty of branches (8)
18 Girl in goal raised by compound with milk (8)
19 Note solvers twice in red with watchers between black and white (4-4)
22 Draws, and so on, for men (6)
23 Storm about doctor taking a chance (6)
24 Holiday hotel (6)
27 Low average (4)

Solution to Puzzle No.7,642

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Sep 9	Sep 6	Sep 5	Sep 4	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3007.16	3011.63	3008.50	3008.50	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.25	96.18	96.13	96.12	96.29 (29/8)	91.30 (16/1)	96.29 (29/8/91)	54.99 (1/10/81)
Transport	1172.60	1174.72	1183.00	1190.06	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.69	206.25	206.50	207.25	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3025.49 (3033.32) Low 2987.70 (2987.45)

STANDARD AND POOR'S

	Sep 9	Sep 6	Sep 5	Sep 4	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	388.57	389.10	389.14	389.97	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	461.21	462.08	462.31	463.46	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.58	31.57	31.42	31.49	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	213.14	213.51	213.47	213.95	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	369.06	369.70	369.36	369.99	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	518.07	516.94	516.93	517.92	526.39 (29/8)	355.75 (14/1)	526.39 (29/8/91)	54.87 (31/10/72)

	Sep 6	Aug 30	Aug 23	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.01	3.01	3.86
	Sep 4	**Aug 28**	**Aug 21**	**year ago (approx.)**
S & P Industrial div. yield	2.70	2.63	2.69	3.24
S & P Indl. P/E ratio	21.33	21.71	21.35	15.47

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Salomon Inc	2,128,200	24¼	+ ¼
Limited Inc	2,059,400	24¼	- ¼
Pepsico	1,998,400	29¾	+ ¾
Amer T & T	1,621,700	38⅛	- ⅛
MFS Intermed	1,600,900	7⅞	.....
Philip Morris	1,390,100	73⅞	+ ⅛
Baxter Int	1,330,900	33⅞	- 1¼
IBM	1,176,700	101	+ 1⅞
Telefonos	1,152,700	37⅛	+ ¾
West Elec	1,148,700	22⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 9	Sep 6	Sep 5
New York SE	109.250	166.410	162.250
Amex	10.398	11.924	11.298
NASDAQ	105.845	149.328	167.422
NYSE			
Issues Traded	2,078	2,080	2,070
Rises	730	759	694
Falls	792	793	849
Unchanged	556	528	527
New Highs	47	74	35
New Lows	9	9	12

CANADA

TORONTO	Sep 9	Sep 6	Sep 5	Sep 4	1991 HIGH	1991 LOW
Metals & Minerals	3008.09	3026.10	3034.07	3022.42	3299.99 (18/7)	2632.06 (9/1)
Composite	3478.96	3488.30	3485.50	3486.80	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1848.02	1851.13	1851.51	1849.57	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep 10	Sep 9	Sep 6	Sep 5	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1558.1	1564.6	1571.8	1571.7	1590.3 (2/8)	1204.5 (16/1)
All Mining (1/1/80)	659.9	663.9	667.4	665.9	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	481.78	475.50	480.13	480.45	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1123.46	1130.22	1135.29	1140.05	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	367.70	370.63	371.53	372.13	388.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	936.3	935.3	941.6	946.8	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	488.95	490.56	492.33	488.88	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1840.47	1855.88	1860.39	1868.67	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	673.48	678.37	683.90	681.57	717.43 (17/6)	570.40 (15/1)
Commerzbank (1/12/53)	1997.90	1911.10	1926.1	1923.5	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1629.12	1633.06	1640.15	1647.17	1715.80 (11/6)	1311.87 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3959.27	3940.54	3970.91	3990.16	4079.01 (14/8)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1456.93	1451.92	1451.52	1453.97	1520.65 (15/3)	1114.06 (25/1)
ITALY						
Banca Com. Ital (1972)	545.69	549.39	553.55	555.29	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22411.58	22573.98	22692.60	22499.65	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1748.84	1758.58	1763.36	1749.39	2028.85 (18/3)	1625.08 (17/1)
2nd Section (4/1/68)	2747.82	2757.79	2750.99	2742.14	3423.45 (18/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	552.60	559.16	557.92	562.50	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	280.4	281.3	282.1	283.0	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	198.9	199.5	200.5	201.1	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	760.63	768.66	771.54	774.31	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	946.61	958.75	1003.22	1014.44	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	388.12	388.47	387.73	388.27	422.43 (26/6)	315.87 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1192.0	1184.0	1164.0	1154.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4237.0	4195.0	4190.0	4143.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	688.69	689.25	674.94	674.82	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	270.60	272.30	273.55	274.35	289.22 (18/3)	213.78 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1074.10	1063.80	1062.10	1066.0	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	755.5	(c)	762.63	764.2	769.2 (29/8)	598.4 (14/1)
SBC General (1/4/87)	623.6	(c)	627.5	629.0	638.8 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4722.08	4707.80	4624.83	4499.50	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	729.82	734.07	728.51	723.06	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) (5)	505.3	506.9	504.5	504.1	529.2 (17/4)	439.1 (16/1)

**Saturday September 7: Taiwan Weighted Price 4709.50 Korea Comp Ex. 681.90. *Calculated at 15.00 GMT.
♦ Subject to official recalculation.
Base values of all indices are 100 except BEL20, HEX General, ISEQ Overall and DAX – 1,000; JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 10 September 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Seika	12.8m	974	+45	Sanyo-Kokusaku	5.0m	588	+14
Asahi Chemical	8.2m	773	+43	NKK	4.9m	405	+5
Cosmo Oil	6.3m	830	+8	Nippon Carbon	4.3m	1,470	0
Ishikawajima	6.0m	686	+10	Fuji Bank	4.3m	2,430	-30
Nippon Kayaku	5.9m	891	+18	Toyo Tire	4.2m	752	+34

2:30 pm prices September 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60¼	35¼	Xerox x	3.00	0.05	10	517	58¼	57¾	57¾	-⅛
51½	43¼	Xerox4 125 x				73	u51½	51⅛	51½	
21⅛	14⅛	Xtra 1.94				4	21	20⅞	20⅞	-⅛
24⅞	14¼	Xtra Corp	0.72	0.03	77	24	23½	23⅛	23⅜	+⅛
24¼	21⅛	Yankee Egy x	1.60	0.07	11	109	23½	23⅜	23⅜	-⅛
1½	⅝	Zapata			3	36	½	⅜	⅜	
9⅝	5½	ZenithElec			1	115	5⅞	5⅛	5⅝	-⅛
18½	12	Zenith Nat x	1.00	0.06	67	14	16⅛	16⅛	16⅛	-⅛
6⅛	4½	Zenis Inc	0.84	0.14		200	6	5⅞	6	+⅛
16⅛	10⅞	Zero Corp	0.40	0.03	17	65	14⅝	14½	14⅝	+⅛
41⅞	29½	Zurn Ind x	0.88	0.02	15	61	36⅞	35⅝	35⅝	-⅛
13½	10⅛	Zweig Fund	1.12	0.09		134	12⅛	12	12⅛	
10⅛	8½	Zweig Totl x	0.96	0.10		347	10⅛	10	10	-⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2:30 pm prices September 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	27	11⅛	11¼	11¼	-⅛
Perini		7	3	10⅞	10⅞	11	
Pf IIRP x	0.31	12	5	10⅛	10⅛	10	
Phil LD x	0.17	8	641	19⅛	18⅞	19	-⅛
Pittway A	0.70	8	42	23	22⅝	22⅞	

NASDAQ NATIONAL MARKET

2:45 pm prices September 10

AMERICA

Dow falls below 3,000 as Fed fails to act

Wall Street

SHARE PRICES remained under steady selling pressure yesterday morning as the lack of an interest rate cut by the Federal Reserve and a rise in bond interest rates depressed market sentiment, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was back below the 3,000 mark at 2,987.70, down 19.46 from the opening. The more broadly based Standard & Poor's 500 was also weaker at midsession, down 2.98 at 385.59, while the Nasdaq composite of over-the-counter stocks slipped 3.19 to 514.88. Turnover on the NYSE was 88m shares by 1 pm.

The Dow's fall below 3,000 was an indication of the underlying bearish mood of the market. Many analysts had predicted that the index would stay above 3,000 for the long term, aided by improved economic conditions and recovering corporate profits. However, the economy continues to struggle and company earnings are unlikely to display any significant improvements when the third quarter reporting season opens next month.

Although a cut in interest rates may help sentiment in the short term, there is still a marked absence of buying incentives in the market.

Among individual issues, H J Heinz dropped $2¼ to $38½ on turnover of 1m shares in spite of an apparently strong first fiscal quarter showing. The food group's profits of $254.4m during the reporting period, however, owed much to a one-off gain of $221m from the sale of Heinz's Iowa corn milling operation. The underlying picture showed weak sales in the quarter because of reduced unit volume and the negative impact of a strong dollar on overseas earnings.

AT&T slipped $⅝ to $37½ after the giant telecommunications group announced that it would be offering new business discounts for international calls.

The ADRs of Beazer, the UK construction group, fell $½ to $6¼ on turnover of 1.1m shares on the news that pre-tax profits fell 40 per cent in the current fiscal year.

Among technology stocks Compaq dropped $⅞ to $34¼ in active trading amid both good and bad news. The sector analyst at Oppenheimer cut his rating on the stock in anticipation of weak earnings in the third quarter, but on the other hand there were reports yesterday that Compaq plans to unveil a new line of personal computers next Monday.

On the over-the-counter market, Microsoft bucked the trend, rising $⅝ to $81¼ after Mr William Gates, the company's chairman, said at a press conference in Brussels that he expected strong growth this year despite the recession in the personal computer industry.

Canada

TORONTO drifted lower at midday, but recovered from the day's lows, as the TSE-300 composite index fell 15.7 to 3,463.2. Declines led advances by 360 to 151 in volume of 11.3m shares valued at C$145.6m.

Dofasco dropped C$¾ to C$18⅞. The steel company said that it plans to raise C$200m through an issue of units at C$20 each, comprising one common share and one half warrant.

Argentina seizes top slot as index doubles

Antonia Sharpe reviews last month's mixed performance by emerging stock markets

ARGENTINA stood head and shoulders above other emerging stock markets in August, as it was propelled to record highs by foreign and domestic enthusiasm for the government's economic reforms.

According to figures from the International Finance Corporation, part of the World Bank, Argentina jumped 103 per cent in dollar terms last month, producing a rise of 262 per cent so far this year and overtaking Brazil as the best performing market of 1991.

The record-breaking rally has been accompanied by a large rise in turnover, reflecting foreign investment and flight capital returning. Daily turnover reached a record high of $116m in August, compared with average daily turnover of between $3m and $6m last February and just $200,000 six years ago. Average daily turnover this month has settled back to around $30m to $40m.

The stock market has undergone a correction of about 8 per cent in the last week, but analysts believe that this week's landslide victory for the ruling Peronist party in the gubernatorial and mid-term congressional elections will push the market higher again.

Baring Securities director Mr Jeremy Campbell-Lamerton says the government's plan to generate greater income from industry will have a positive long-term effect on the stock market. A reduction in capital gains tax and in corporate tax is expected to coax Argentine companies into giving a truer reflection of their profits, and lead to a closer proximity to US accounting principles.

Furthermore, a prolonged period of accelerated depreciation means that the asset value of many Argentine companies far exceeds the stated balance sheet value. Mr Campbell-Lamerton estimates that many Argentine share prices are trading at only 70 per cent of their book value, suggesting that a further rerating of the stock market is likely.

Last month's worst performer was Indonesia, which fell 14.3 per cent in dollar terms, bringing its drop so far this year to 30.1 per cent. The market was already suffering in July after the government's first shot at privatisation flopped badly. In August, long-suffering investors were confronted by dismal interim results.

Mr David Bates, a director at Asia Equity, notes that several companies listed in the last 12 months have failed to meet their prospectus forecasts.

The main cause of the disappointing half-year figures has been the government's decision to keep interest rates high as part of its quest to eradicate inflation. Furthermore, with interest rates at 23 per cent and inflation around 9 per cent, investors have been selling equities to take advantage of the hefty real returns offered by bank deposits.

In the past year Indonesia has seen its price/earnings multiple tumble from the high teens to single digits. Mr Bates says that, while the market may fall another 4 to 5 per cent in the next few weeks, several companies now look good value, especially those involved with the government's infrastructure programme. But he warns that there are still many aggrieved investors around and it may take time for the large lines of stock to disappear.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms: July 31 1991	Dollar terms: % Change over month	Dollar terms: % Change on Dec '90	Local currency terms: July 31 1991	Local currency terms: % Change over month	Local currency terms: % Change on Dec '90
Latin America							
Argentina	(29)	944.28	+103.0	+262.1	52,044,856	+102.3	+536.1
Brazil	(67)	100.87	−6.9	+142.0	12,183,349	+5.8	+493.1
Chile	(35)	1,622.85	+7.5	+100.1	4,426.40	+9.0	+109.8
Colombia	(20)	308.27	−1.0	+4.6	1,761.48	+0.9	+30.3
Mexico	(56)	1,293.69	+4.2	+78.8	20,387.54	+4.6	+84.6
Venezuela	(16)	433.50	−2.4	−13.9	3,373.22	−3.0	+1.1
East Asia							
Korea	(77)	336.49	−3.8	−1.8	297.93	−3.8	+0.8
Philippines	(30)	1,360.25	+2.3	+48.4	1,807.01	+0.0	+43.2
Taiwan, China	(70)	612.82	−11.1	−4.3	410.11	−11.8	−5.0
South Asia							
India	(60)	261.38	+7.3	+10.4	544.66	+8.0	+57.7
Indonesia§	(66)	68.16	−14.3	−30.1	74.42	−14.0	−27.4
Malaysia	(62)	139.94	−7.2	+6.0	160.57	−7.3	+9.4
Pakistan	(54)	169.56	−0.4	+37.9	271.65	+0.0	+56.3
Thailand	(43)	292.68	−3.5	−0.8	277.19	−3.4	+0.8
Euro/Mid East							
Greece	(32)	456.00	+6.1	−14.1	685.97	+8.5	+4.0
Jordan	(25)	85.85	−4.4	−5.4	157.05	−3.9	+1.8
Portugal†	(30)	424.84	−1.3	−2.5	405.29	−1.8	+5.8
Turkey‡	(25)	77.33	−4.4	−57.2	463.92	−0.1	−32.9

*Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100. †Jan 1986=100. ‡Dec 1986=100.*

EUROPE

Weak New York start depresses late-closers

MOST BOURSES eased again yesterday, with sentiment in the late-closers further depressed by an early fall on Wall Street, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Sep 10

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1111.48	1111.32	1111.04	1112.25	1112.84	1113.83	1112.66	1112.84

Day's High 1114.94 — Day's Low 1110.63

Sep 9	Sep 6	Sep 5	Sep 4	Sep 3
1116.88	1124.68	1126.92	1125.48	1128.91

Base value 1000 (26/10/90).

FRANKFURT saw more falls in banks, relative strength in chemicals and another flurry in steels as the DAX index lost another 3.94 to 1,629.12 after a 4.89 decline to 673.48 in the FAZ at midsession. Volume rose from DM3.2bn to DM3.4bn.

Bayernhypo and Bayernverein fell DM5 to DM349 and DM7.50 to DM398. Commerzbank shed another DM3.50 to DM245. Mr Robert Law, banking analyst at Shearson Lehman, thought little of the argument surrounding the quality of Soviet debt, and said that the banks, among the most liquid stocks in the market, were easy to sell in a period of nervous, thin trading.

The big three chemicals rose by a matter of pfennings. In steels, Hoesch put on another DM5.20 to DM310.70 and Klöckner-Werke, talked about last week as a potential marriage partner for Hoesch, ended DM2 higher at DM148.

MILAN failed to get any support from yesterday's delayed settlement of the August account. Investors were concerned that the forthcoming interim results season would be disappointing.

After the close, worries about the economy were heightened by news that the Italian industrial employers' association, Confindustria, had lowered its forecast for gross domestic product growth in 1991 to 0.8 per cent, down from 1 per cent at mid-year and less than half the government forecast.

The Comit index fell 3.80 to 545.69 in turnover of around L70bn after Monday's L53bn. Generali fell L325 to L29,650 ahead of the launch of its giant L1.75 trillion rights issue next week.

PARIS drifted lower as Wall Street weakened in early trading. Turnover remained light after Monday's FFr1.4bn, as the CAC 40 index fell 15.41 to 1,840.47.

In the banking sector, CCF, which gained FFr4.50 on takeover rumours on Monday, closed 70 centimes down at FFr179.30, after rising to a day's high of FFr182 and sinking to a low of FFr178. Volume in the stock was less than half Monday's level, but still relatively heavy at 140,460 shares.

The bourse authorities said that Cassa Risparmio di Torino, the Turin-based savings bank, had raised its stake in CCF voting rights to 5.51 per cent from 4.8 per cent, but CCF said this was not connected with the recent speculative activity.

Bouygues, the construction group, bucked the trend, rising FFr14 to FFr582. Saur Afrique, its subsidiary, has won a 15-year contract to distribute water in the Central African Republic.

Arjomari-Prioux, the paper group, fell FFr85 to FFr2,215 after cautious comments on the second half by the UK's Arjomari Wiggins Appleton.

ZURICH was depressed by Wall Street's lower opening, and the Crédit Suisse index fell 3.5 to 529.7. Industrials were pressured by the weaker dollar; in chemicals, Sandoz bearers dropped SFr60 to SFr2,360 and Roche bearers by SFr130 to SFr7,800.

Bearers in the brewery, Sibra, dropped SFr50 to SFr405. Another brewer, Feldschlösschen said it had taken a substantial stake in Sibra. Feldschlösschen bearers eased SFr30 to SFr3,350.

AMSTERDAM was dragged lower by the weaker dollar and Wall Street. The CBS Tendency index closed at 92.2, down 0.2, in thin trading. Volmac Software put on 80 cents to Fl 18.30 after reporting a 36 per cent drop in first-half net profits. Some analysts had been expecting a loss.

BRUSSELS closed lower in thin trading. The Bel20 index fell 6.76 to 1,123.46.

The steel cord and steel wire producer, Bekaert, fell to BFr9,620 before closing BFr140 lower at BFr9,750 in the wake of Monday's announcement of a sharp fall in first-half profit.

STOCKHOLM reversed an early loss on demand for Volvo and Astra. The Affärsvärlden General index rose 10.3 to 1,074.1 in turnover of SKr336m after Monday's SKr283m. Volvo free Bs rose SKr10 to SKr365 while Astra free Bs added SKr12 to SKr568.

ASIA PACIFIC

Nikkei declines on arbitrage-related activity

Tokyo

ARBITRAGE-related activity dominated share price movements yesterday as the Nikkei average fell on selling ahead of the September futures settlement this Friday, *writes Emiko Terazono in Tokyo.*

The index ended 162.40 off at 22,411.58, after a high of 22,612.43 and low of 22,355.54. Volume was unchanged at 300m shares as institutional investors held the sidelines.

Declines led rises by 679 to 256 with 164 issues unaltered. The Topix index of all first section stocks lost 9.74 to 1,748.54, but in London the ISE/Nikkei 50 index firmed 2.02 to 1,321.18.

Prices remained volatile as some arbitrageurs unwound their positions against September futures. Market participants have been nervous about this week's settlement, but Miss Betty Wu at SBCI said positions were also being rolled over into December futures.

Profit-taking was seen in interest rate-sensitive stocks, which surged last week on hopes of an imminent discount rate cut. Declines in short-term yields encouraged rallies in the financial markets last week, but the Bank of Japan reiterated yesterday that, while Japan's economy was slowing, it was still strong.

Overnight unsecured call rates rose by 9 basis points to 6.9 per cent. The central bank was seen draining reserves from the money markets on technical factors. Analysts now believe that the Bank of Japan will try to influence money market rates, rather than reduce the discount rate, to implement monetary policy.

Interest rate-sensitive large-capital shares lost ground. Nippon Steel retreated Y6 to Y420.

Pharmaceutical-related issues were stronger as the Japan Cancer Association started its conference. Meiji Seika, the day's most active issue, surged Y45 to Y974 on speculation that it would announce a new antibiotic at the conference. Yakult Honsha, the beverage company, added Y70 at Y2,050 on its new cancer drug, and Nippon Kayaku gained Y18 to Y891.

Dia Kensetsu and Daiwa Construction, the two construction companies which held a joint press conference on Monday to deny bankruptcy rumours, continued to fall. The former shed Y290 to Y1,360 and the latter dropped its daily limit of Y300 to Y820. Traders said the press conference had made market participants more wary.

Nippon Carbon closed unchanged at Y1,470 after hitting a record high of Y1,550. Investors looking for short-term profits have been buying the stock on rumours of speculative interest.

In Osaka, the OSE average dipped 68.79 to 24,901.73 on volume of 65.6m shares.

Ono Pharmaceutical gained Y240 to Y3,760 on afternoon reports that the Ministry of Health and Welfare had authorised the company to sell a new diabetic drug.

Roundup

A QUIET day in the Pacific Rim saw most markets move slightly lower.

AUSTRALIA eased on weak corporate earnings, an appreciating currency, some poor results from Commonwealth Bank and a lifeless US market. The All Ordinaries index lost 6.5 to 1,558.1 in turnover up from A$105m to A$142m.

Commonwealth Bank, which makes its market debut tomorrow, said after the close that net operating profits had fallen by 45 per cent in 1990/91 to A$272m after bad and doubtful debt provisions.

MANILA finished above the day's lows on bargain hunting. The composite index, down 4.4 per cent on Monday, ended 12.14 lower at 946.61 in a session shortened to allow traders to join a demonstration in favour of a pact extending the US military presence in the Phillipines. Turnover shrank to 100m pesos from 143m.

PLDT, the telecommunications company, closed a net 35 pesos down at 527.50 pesos, after reaching a low for the day of 522.50 and high of 530.

HONG KONG rose in cautious trading. The Hang Seng index gained 18.73 to 3,959.27 in turnover of about HK$1.12bn, up from HK$1.06bn.

Jardine Matheson, with interim results due next week, put on 75 cents to HK$32.

TAIWAN fluctuated within a narrow range. The previous day's credit easing by the central bank had been discounted. The weighted index rose 14.28 to 4,722.08 in turnover of T$20bn, down from T$29bn.

KUALA LUMPUR declined in thin trading. The composite index fell 6.56 to 552.60 in volume of 29m shares, down from 40m. Business was also sluggish in **SINGAPORE**. The Straits Times Industrial index lost 1.54 to 1,419.46. Volume remained steady at 27m shares.

SOUTH AFRICA

A RISING financial rand kept a lid on Johannesburg's gains. The industrial index rose to a new closing high of 4,237, up 39, while the all-gold index gained 8 to 1,192. The all-share index added 18 to 3,459.

Changes to FT-Actuaries World Indices

THE World Index Panel has decided on the following changes, which will come into effect at the end of the current quarter:

Australia: The partial weighting factor applied to Santos will be removed and the company will be taken at full market capitalisation.

Finland: Delete Fiskars (K Free).

Japan: A weighting factor of one-third will be applied to All Nippon Airways following clarification from the Tokyo Stock Exchange. The company has been taken at full market capitalisation hitherto.

Switzerland: Add Alusuisse-Lonza (registered).

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	Mon Sep 9 1991: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Fri Sep 6 1991: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 1991 High	1991 Low	Year ago (approx)
Australia (69)	150.00	+0.1	128.55	127.91	132.23	126.21	−0.4	4.80	149.85	130.84	128.91	134.89	126.72	151.58	112.74	143.67
Austria (20)	187.44	+2.5	160.63	159.84	165.23	166.00	+0.7	1.71	182.86	159.67	157.32	164.62	164.91	222.37	154.82	224.52
Belgium (47)	130.78	+1.2	112.08	111.51	115.28	113.21	−0.7	5.28	129.26	112.86	111.20	116.36	113.96	151.20	118.04	140.29
Canada (114)	138.59	−0.2	118.77	118.17	122.16	114.30	−0.3	3.32	138.89	121.27	119.49	125.02	114.60	142.27	126.49	129.73
Denmark (37)	255.78	+1.7	219.20	218.12	225.47	228.47	−0.4	1.55	251.59	219.67	216.45	226.48	229.43	270.56	217.74	255.22
Finland (16)	96.91	+1.4	83.05	82.64	85.42	84.42	−0.5	2.85	95.61	83.48	82.26	86.07	84.87	125.15	89.53	118.04
France (109)	140.54	+1.7	120.44	119.83	123.87	127.09	−0.2	3.49	138.13	120.60	118.83	124.33	127.40	152.26	119.11	138.46
Germany (65)	110.74	+1.4	94.91	94.45	97.62	97.62	−0.7	2.30	109.21	95.35	93.96	98.31	98.31	125.35	94.15	120.96
Hong Kong (55)	164.01	−0.7	140.55	139.85	144.57	163.22	−0.8	4.32	165.20	144.25	142.12	148.72	164.55	169.98	119.62	126.35
Ireland (18)	160.02	+2.3	137.14	136.46	141.06	143.12	+0.0	3.50	156.38	136.54	134.53	140.77	143.13	182.46	132.88	145.90
Italy (77)	73.09	+1.1	62.63	62.32	64.42	69.10	−0.9	3.38	72.28	63.10	62.17	65.05	69.73	88.23	64.76	88.34
Japan (474)	128.43	+0.5	110.06	109.51	113.22	109.51	−0.4	0.77	127.76	111.55	109.91	115.02	109.91	146.97	118.23	130.85
Malaysia (68)	207.52	+0.0	177.84	176.95	182.92	221.23	−0.2	2.75	207.59	181.25	178.58	186.86	221.78	247.78	189.18	219.61
Mexico (16)	1204.85	−0.5	1032.55	1027.41	1062.06	4015.86	−0.5	1.37	1210.86	1057.25	1041.71	1090.02	4035.87	1226.13	534.45	515.65
Netherland (31)	142.01	+1.8	121.70	121.10	125.19	123.73	−0.5	4.33	139.53	121.82	120.03	125.60	124.37	145.73	125.70	139.53
New Zealand (14)	47.32	+0.4	40.55	40.35	41.71	43.16	+0.3	7.06	47.14	41.16	40.55	42.43	43.03	54.64	41.18	61.55
Norway (31)	201.67	+1.4	172.83	171.97	177.77	182.03	−0.7	1.55	198.88	173.65	171.10	179.04	183.22	223.24	178.58	265.06
Singapore (38)	199.67	+1.0	171.11	170.26	176.00	156.65	+0.2	2.27	197.65	172.57	170.04	177.92	156.30	208.25	151.63	169.33
South Africa (61)	244.97	+1.0	209.93	208.88	215.93	171.90	+0.3	3.17	242.61	211.83	208.72	218.39	171.35	258.85	173.00	174.45
Spain (53)	154.30	+1.9	132.23	131.58	136.01	123.79	−0.3	4.34	151.38	132.18	130.24	136.27	124.20	171.12	131.51	149.64
Sweden (25)	192.16	+2.3	164.68	163.86	169.39	175.73	+0.2	2.53	187.84	164.01	161.60	169.10	175.32	204.12	146.60	195.58
Switzerland (58)	94.55	+2.3	81.03	80.63	83.36	87.28	+0.0	2.21	92.41	80.69	79.51	83.20	87.28	100.67	82.17	83.10
United Kingdom (240)	184.30	+1.4	157.94	157.14	162.44	157.94	−0.4	4.66	181.71	158.65	156.31	163.56	158.65	187.44	156.27	159.24
USA (527)	157.63	−0.2	135.08	134.42	138.95	157.63	−0.2	3.06	157.92	137.89	135.87	142.17	157.92	161.02	125.95	129.70
Europe (827)	143.21	+1.6	122.73	122.12	126.24	125.08	−0.4	3.82	141.00	123.11	121.30	126.93	125.63	151.52	125.50	138.02
Nordic (109)	188.24	+1.9	161.32	160.52	165.93	163.62	−0.2	1.96	184.77	161.33	158.96	166.33	163.93	200.81	155.55	198.04
Pacific Basin (718)	129.89	+0.5	111.32	110.77	114.50	111.34	−0.4	1.12	129.30	112.89	111.24	116.40	111.75	145.92	117.88	131.03
Euro−Pacific (1545)	135.50	+0.9	116.13	115.54	119.44	117.54	−0.4	2.25	134.27	117.23	115.50	120.86	118.01	147.66	121.29	134.23
North America (641)	156.37	−0.2	134.01	133.36	137.86	154.69	−0.2	3.09	156.67	136.79	134.80	141.06	154.99	159.66	125.91	129.61
Europe Ex. UK (587)	119.03	+1.7	102.01	101.52	104.95	106.28	−0.4	3.16	117.07	102.22	100.74	105.41	106.75	129.80	103.58	124.24
Pacific Ex. Japan (244)	144.43	−0.1	123.78	123.16	127.33	127.66	−0.4	4.29	144.57	126.23	124.40	130.16	128.22	147.60	111.40	132.38
World Ex. US (1736)	137.40	+0.9	117.75	117.18	121.12	118.96	−0.4	2.30	136.21	118.93	117.19	122.62	119.41	148.16	122.32	134.69
World Ex. UK (2023)	139.30	+0.4	119.38	118.79	122.80	128.37	−0.3	2.34	138.79	121.19	119.41	124.96	128.74	145.77	120.06	129.24
World Ex. So. Af. (2202)	142.53	+0.5	122.15	121.55	125.66	130.78	−0.3	2.58	141.86	123.86	122.05	127.71	131.20	148.66	122.92	131.65
World Ex. Japan (1789)	152.39	+0.5	130.59	129.96	134.35	143.06	−0.3	3.40	151.69	132.45	130.51	136.57	143.47	152.83	126.69	133.76
The World Index (2263)	143.20	+0.5	122.72	122.11	126.24	131.14	−0.3	2.59	142.51	124.43	122.61	128.30	131.54	149.01	123.28	131.90

Latest prices were unavailable for this edition. Zurich market closed September 9.